

City of Grand Haven, Michigan

Comprehensive Annual Financial Report Year Ended June 30, 2008

City of Grand Haven, Michigan

June 30, 2008

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City of Grand Haven, Michigan

June 30, 2008

Elected Officials

Mayor	Roger A. Bergman
Council Members	Michael Fritz Geri McCaleb Edward Nieuwenhuis John Naser

Appointed Officials

City Manager	Patrick McGinnis
City Clerk	Linda Niotis
City Treasurer	Teri VanHall
Finance Director	James Bonamy



November 1, 2008

Mayor Bergman and City Council:

It is with pleasure that we present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This is the sixth report using the reporting model required by Statement 34 of the Governmental Accounting Standards Board (GASB).

This report has been prepared by the financial services staff of the City of Grand Haven. City Administration holds full responsibility for the completeness and accuracy of all statements, schedules, notes and analysis. To provide a reasonable basis for making these representations, City Administration maintains a system of internal controls to protect City assets from theft, loss, or misuse and to compile reliable information for presentation of our financial statements in conformity with generally accepted accounting principles. The costs of internal controls should not outweigh the benefits received; therefore the internal controls have been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. As City Administration, we assert, to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

The Reporting Entity

Grand Haven was established in 1834 by Rix Robinson, a trader, who chose this location because of its natural harbor and the opportunity to do business throughout the Grand River valley. In 1838, Grand Haven was named the County Seat of the County of Ottawa. In 1867, Grand Haven was incorporated as a City. With a population of 11,168 counted in the 2000 census, the City of Grand Haven is the primary government for accounting purposes.

The City of Grand Haven Board of Light and Power, a department of the City by its Charter and an enterprise fund, continues its tradition of presenting its annual financial report under separate cover. This is appropriate due to both the size and complexity of the Board's operations and generally accepted accounting principles. However, due to generally accepted accounting principles, significant information is also provided herein. For further detail on the Board of Light and Power, we recommend viewing the Board's annual report, which is on file at both City Hall and at the Board's offices on Eaton Street in Grand Haven.

In addition to the primary government, this financial report also includes three discrete component units:

The City of Grand Haven Economic Development Authority,
The City of Grand Haven Main Street Downtown Development Authority, and
The City of Grand Haven Brownfield Redevelopment Authority.

The financial reports of these three entities, while separate and distinct from the City of Grand Haven as component units, are included herein.

Note that the Main Street Downtown Development Authority changed its name from the Central Business District Downtown Development Authority in the summer of 2005.

This report also includes a blended component unit:

The City of Grand Haven Building Authority.

The Building Authority is a blended component based on its close relationship with other City of Grand Haven Funds. Capital projects financed through the Building Authority are rented to the City and returned as City assets once payments on the projects and associated debt are completed.

The City of Grand Haven also provides administrative and financial management under contractual agreements with the following organizations:

Grand Haven/Spring Lake Sewer Authority, a separate governmental unit,
Northwest Ottawa Water Treatment Plant, a joint venture of North Ottawa local units of government,
and
Ottawa County Central Dispatch Authority, a component unit of Ottawa County.

The financial reports of these three entities, being separate and distinct from the City of Grand Haven, are reported elsewhere and are not included here.

Budgeting and Financial Planning

As part of the City's financial planning process, City Council adopts an annual budget including a five year Capital Improvement Plan. These documents address the City Council's strategy to improve and to maintain the health and quality of life of the City. The budget document provides the financial framework for planning and control as well as defines the City Council's vision for the future. The Capital Improvement Plan provides the Council and staff with a strategy for future major capital items and related financial resources that will be required over the next five years to implement Council's vision.

The budget process begins in late fall with a City Council goal setting session with the City Manager. Consulting with the various City Boards, the City Manager, Finance Director and Department Heads draft the budget on a line item basis, considering capital and operational priorities separately and combining all into a preliminary budget document. The City Manager is required by City Charter to present a proposed budget to City Council by April 1. After a public work session and a separate formal public hearing, City Council adopts the City's budget by May 15 and sets the tax millage rates for the new fiscal year at the same time. Interested citizens are invited to participate throughout the budget planning process, at City Council's goal-setting session and at the various work sessions and public hearings.

After the close of the fiscal year, the CAFR is prepared to report on the financial condition of the City and the results of operations. Included in the report are budget-to-actual comparisons of revenues and expenditures. Disclosure of both the original budget and the final amended budget continues. The report is reviewed in draft form by an Audit Review Committee whose mission is:

- to annually certify the purpose of the audit (as a test of the City's financial accounting and reporting systems).
- to annually review the audit report with City Administration and the Auditors and seek clarifications to any questions they may have.
- to direct staff to include a short memo summary of the audit for City Council when presenting same.
- to "receive the audit and recommend that City Council receive the audit" when presenting the audit report to City Council.
- to meet briefly with the Auditors, excusing City Administration, to ask any questions about the audit report, the Auditing firm, City administration efforts, etc.

The Audit Review Committee includes members of the public plus two City Council members. The City Manager and Finance Director act as staff support liaisons to the Audit Review Committee.

Economic Condition and Outlook

Current state economic conditions continue to present employment challenges for displaced employees and the local economy as a whole. Economic forecasts indicate a continuation of challenging conditions for Michigan in 2008 and, some speculate, for at least four more years. Significant are the continuing American auto industry capital reductions and employee buy-out plans, signaling further retrenching in Michigan's manufacturing economy. While some auto-related manufacturers reside as local businesses in Grand Haven, their economic condition mirrors the continuing unsettled nature of the state's economy. Fortunately, West Michigan communities are more diverse in their economic conditions than communities on the east side of the State. With the recent credit crunch and stock market volatility as well, the current economic climate provides continuing challenges to surmount.

While Grand Haven saw the closing of Eagle Ottawa Leather and Magna Donnelly causing employment reductions, limited new industrial investment during the fiscal year did occur. The City continues to monitor industrial sector employment closely as City Council reviews new Industrial Facilities Tax Exemption Certificates. Numerous industrial facility tours have provided City Council with an understanding of the pressures of the manufacturing community.

Interestingly, Grand Landing, a major new multi-use development on the northern border of the community brought significant investment into the community, along with a Brownfield TIF district to capture taxes on the property to fund public infrastructure improvements. A \$22,000,000 investment has already been completed and additional investment is planned. Forecasts anticipate greater private investment than originally thought which should ensure future payments on Brownfield TIF outstanding debt.

The State of Michigan continues to face budget difficulties and continues to consider revising the community funding structure and other payments to local governments to resolve their budgetary concerns. City Administration conservatively forecasted this revenue source for the reported fiscal year. The initial budget of \$1,220,000 was amended downward by \$206,620. Final receipts totaled \$1,031,381. Further limitations in State funding are possible for FY 2008-09 and a conservative forecast has been continued.

While the aforementioned issues indicate serious concern, at the end of the fiscal year, Standard and Poor's upgraded their rating to "AA" on the City's 2006 Downtown TIF Bonds, 2006 Building Authority Bonds and 2006 Brownfield TIF Redevelopment Bonds and 2008's \$9,400,000 UTGO Infrastructure Bonds. The 2008 Infrastructure Bonds will be financed by a one mill levy approved in November, 2007. This independent public recognition of the City Council's direction and administration's conservative fiscal policies allowed the City to achieve excellent interest rates for these issues, continuing the City Council focus of providing a high quality of life at as limited a cost as possible.

The City has successfully maintained greater than 11% of revenue as a reserve in the General Fund to address contingencies. During the fiscal year, City Council approved a post-audit transfer of \$1,500,000 to the Public Improvement Fund. City Administration believes that the City will continue to weather current economic conditions favorably.

Fiscal Year 2007-08 Initiatives

The City of Grand Haven had another successful year in providing quality services to its citizens. The direction of the City Council in maintaining healthy fund balances permits the City to continue to invest in the infrastructure and capital needs of the City. During the past fiscal year, the City was able to make significant improvements within the City including:

Public Works – William Hunter, Director

- Designed three storm water storage areas for Slayton, Grand Ave., and the North Shore.
- Implemented ongoing SWPPI commitments.
- Completed Jackson Street (West) phase II reconstruction.
- Began Jackson Street (East) phase III reconstruction, 50% complete by June 30.
- Began Waverly Street reconstruction, 50% complete by June 30.
- Expanded annual resurfacing and City-wide crack sealing projects.
- Replaced (2) 5 ton dump trucks, a stainless steel material spreader with pre-wetting and a 1.5 ton utility truck with crane.
- Installed a new water main for the DPW Garage and City Marina.
- Installed a cathodic protection system for 2 million gallon water tank.

Special Projects Manager – Julie Beaton

- Completed Phase One of the \$1,009,038 marina dock on time and under budget.
- Completed the Community Center renovation project in August 2007. Also, the design for the Acacia Auditorium renovation project was completed and the construction contract was awarded for completion following the fiscal year.
- Awarded the contract for the Lake Forest Cemetery expansion design project.

- Awarded the contract for Washington Avenue (first three blocks) reconstruction design which was 50% complete at the end of June, 2008.
- Received both the Tree City USA Award and the Growth Award for the City.
- Completed construction of the Village District of Grand Landing and the first half of the Adams Avenue Row House District of Grand Landing. Also completed extensive geotechnical investigation with on site testing (needed for final design of the Waterfront District of Grand Landing).
- Inventoried the Washington Avenue/Seventh Street holiday lights.

Facilities Management – Dan Vivian, Facilities Manager

- Replaced the Lee Chapel Steeple.
- Issued requests for proposal to upgrade the Community Center ballroom audio system.
- Upgraded the Lake Forest Cemetery irrigation system.
- Provided input for new Chinook Pier conceptual plans.
- Prepared a request for proposals for a security system installation in Harbor Transit facility.
- Replaced the Public Safety transaction window (bullet resistant) glass.

Community Affairs – Sandra Katt, Manager

- Celebrated the first anniversary of the new Community Center in August, 2008.
- Achieved a return rate of 99% of pre-reconstruction Community Center users.
 1. Negotiations with Central Park Players resulted in their return to the Community Center with three new performances for 2008-2009.
 2. New marketing materials, an updated website, a special wedding package and additional amenities have positioned the Community Center as a popular site for wedding receptions. The Holiday Shopping Center and Coast Guard Art Fair have been two new popular events bringing in hundreds of visitors.
 3. Welcomed over 100 events working with local nonprofits and other surrounding organizations and communities.
- Additional staff was hired for the waterfront seasonal crew to take over additional responsibilities previously performed by the DDA.
- Mulligan's Hollow Lodge became a more popular venue for small weddings, corporate workshops, birthday celebrations and graduation activities.
- The Ski Bowl had a profitable year due to direct City oversight and employs 30 part time seasonal workers.
- Celebrated the Mulligan's Hollow Skate Park first anniversary in June, 2008, increasing use bringing in youth from surrounding areas.

Public Safety - Dennis S. Edwards, Director

- The Director was appointed by Governor Granholm to the Citizen-Community Emergency Response Coordinating Council for a 4 year term to advise the Department of State Police Emergency Management Division.
- Installed the Pier Life Ring Alarm system with cameras.
- Organized and held a Local Emergency Management Planning Team meeting to collect data from each of the emergency management sectors (Fire, Police, EMS, etc.) on what efforts are in place to handle certain types of emergencies within Ottawa County for the Department of Homeland Security on where and how dollars need to be spent for homeland security training, equipment, etc.
- Completed Incident Command System (ICS) level 300 & 400 (Advanced ICS) classes keeping the proper personnel trained should a large scale event occur.
- Held the annual Fire Open House which was a great success with approximately 400 in attendance.
- Completed staff firearms training which included scenario based training with new "Simunitions" equipment.
- Received and placed in service a new Pumper/Rescue truck.
- Replaced a fire records program with new Fire House software.
- Conducted investigations into metals thefts and breaking and entering that have occurred since May 2007.

- Completed the annual policy review and made changes as needed. A new master policy file was created and all policies are available to each officer on the network in PDF format.
- Delivery and set up was completed on the new in car video server. The cameras were installed during the first week of 2008 and training for all staff is complete.
- Received a FEMA Port Security Grant award of \$125,623 for cameras along the waterfront from the South Pier to the US-31 Lift Bridge, a continuation of the Pier Camera Project started in early 2007.
- Hosted Fire Officer classes garnering \$6,404 in revenue after expenses.
- Appointed a new Code Enforcement Officer/PSO III who started these duties in February, 2008.
- Completed installation of ICOP in-car video recording.
- Installed a new document scanner and trained all personnel to improve access to reports and data.
- Received new fire "Turnout Gear" and distributed it to staff.
- Began a Civilian Emergency Response Team (CERT) Program providing us with citizens that are trained in basic emergency preparedness information and can help during a local disaster or at local special events.
- Received victims of crimes follow up survey cards presenting an overall department rating of 4.45 out of a possible 5.

City Clerk – Linda Niotis, City Clerk

- Obtained non-profit standard election mail status allowing large mailings (200+ pieces at one time) of absentee ballot applications and ballots to be mailed at reduced rates.
- Conducted four elections.
- Coordinated Mayor's Exchange events, Boards and Commissions Appreciation Dinner, City Beautiful Awards Program and Calendar, Coast Guard Honorary Citizens.
- Assisted with transition of City's website to current vendor.
- Continued electronic access to the Code of Ordinances internally and via the Internet.
- Continued scanning and indexing of contracts, agreements, minutes, and other permanent information into Laserfishe.
- Continued cemetery records documentation.

Treasury – Teri Van Hall, City Treasurer

- Collection of past IFT abated taxes from a former industrial site.
- Increased use of Official Payments online for credit card customers.
- Increased delinquent Cost Recovery collections.
- Initiated a Parking Ticket Log which provides quicker access to information.
- Replaced the automatic revenue collection machine at the City Boat Launch increasing revenue and ensuring better internal control.
- Increased collections of delinquent personal property taxes.
- Established a Collection Agency program expanding collection success.
- Installed a new input system for property taxes which increases efficiency and decreases errors.

Planning and Development Department - Kristin Keery, City Planner

- Restructured Housing and Code Enforcement Officer position to full time and developed joint Code Enforcement/PSO position with Public Safety.
- Began update to the City's Master Plan (to be complete summer '09).
- Continuing the update of the Sensitive Area Overlay Plan and applicable sections of the Zoning Ordinance (to be completed winter '08).
- Ongoing support and review of several large scale developments, including Grand Landing, Country Inn & Suites Hotel (Grand Plaza Planned Development), Pinewood Place Senior Assisted Living community expansion, and redevelopment of Bil Mar Restaurant.
- Completed a \$47,000 county-wide Housing Needs Assessment.
- Expanded neighborhood counseling services (homebuyer education and foreclosure prevention).
- Continued Neighborhood Impact Program (NIP) - \$12,000 grant in partnership with Macatawa Bank and Federal Home Loan Bank for existing homeowner rehabilitation.

- Continued Home Purchase Rehabilitation Grant - \$180,000 grant from Michigan State Housing Development Authority. The grant will assist 5 new home buyers with rehabilitation and down payment assistance.
- Continued analysis of seasonal/short term rental issues.
- Reviewed 42 site plans with the Planning Commission.
- 1,285 permits were issued with a construction value of \$39,674,103 raising fees of \$351,431 to support the cost of the building inspection department.

Harbor Transit – Tom Manderscheid, Transportation Director

- MDOT GRANT 2002 0040 Z13: Telephone Communications system - Bid package released May 1, 2007. Bids read May 30, 2007. Bid awarded to EXORDIUM August 20, 2007 in the amount of \$4,655. Telephone system to be installed and training provided October 16, 2007. Telephone system 'live' October 17, 2007. This contract expired December 5, 2007.
- MDOT 2007-0214 Z1 - Service Development & New Technology (SDNT): This grant provides \$90,000 to develop a Strategic Plan, and study multi-governmental funding mechanisms and formulas (nation wide) that support local financial commitment to transit systems. Awarded 2006. Executed November 20, 2006. Contract expired January 10, 2010.
- Extended service to North Ridge Condos and North Ottawa Care Facility located in Spring Lake Township. Contacts valued at \$5,700 annually.

Airport – Tom Manderscheid, Transportation Director

- Grand Haven Airport Phase IV Tree Removal/Topping contract to clear or top trees on five parcels on 160th Avenue and the South and West approached was awarded to Integrity Tree Service for \$18,240. The project is not grant eligible and will be funded through the Airport Fund.

Human Resources – Michele Mahawili, Human Resources Manager

- Initiated Wellness Initiative for all city employees. Hired Healthtrack and completed a Health Risk Assessment for 95% of our employees. Healthtrack also provides monthly coaching to encourage a change in behavior; based on the number of employees participating in walking events and weight loss events the program has been very successful.
- For General Employees hired after June 30, 2007 retiree health care has been eliminated.
- An employee committee meets on a regular basis to provide feedback on the Wellness Program, EAC benefits and health care insurance issues.
- Our yearly renewal for our Health Insurance increased only 1.6%.
- Hired several key positions including the Director of Transportation and the Manager of Facilities.
- Continued to develop a new employee manual for implementation in 2008.
- Implemented a new PTO system for any new hire effective April 1, 2008.

Administration – Lisa Sutterfield, Assistant City Manager

- Introduced the Grand Haven Green Store in July 2008 through a summer environmental intern.
- Initiated Urban Deer Task Force, presented recommendations to the City Council and composed an Urban Deer Management Plan. Initiated construction of two enclosures for deer observation.
- Participated in Tri-Cities Leadership Connect program.
- Revised the City web site through a contracted vendor.
- Served on the North Ottawa Recreation Program and assisted in the organizational changes.
- Completed the Skate Park signage program.
- Reorganized Planning Department staff and added housing staff through grant funding.
- Revised City Organizational Charts.
- Provided administrative oversight for Human Resource and Planning Departments.
- Organized Risk Management Activities for the city, including property and liability insurance.
- Served as City Representative on all Harbor Dredging issues.

Finance - Accounting, Assessing, Information Technology - Jim Bonamy, Finance Director

- Attained a "AA" Standard and Poor's rating for 2008 UTGO Infrastructure bonds sold in June.
- Continued successful presentations of City Budget and annual unqualified or "clean" audits.
- Continued financial reporting to City Council, Departments and various Boards and Commissions.
- Continued detailed financial reporting in Brownfield and grants administration.
- Applied diverse funding sources to prepare for significant reconstruction of Jackson Street and north end infrastructure.
- Continued accounting for a \$710,000 Brownfield TIF (Boat Storage) Bond, a \$2,830,000 Building Authority Bond and a \$15,095,000 Brownfield TIF (Grand Landing) Bond.
- Continued staff liaison support to the Audit Review Committee, the Economic Development Corporation and the Brownfield Redevelopment Authority.
- Continued fiscal administration for the Ottawa County Central Dispatch Authority.
- Maintained operations of over 80 computers installed throughout the City.
- Installed fiber connections to the Community Center and NOWS Plant for computer and telephone systems. Issued requests for proposals for new IP phone systems at DPW and NOWS.
- Transitioned from Novell Netware server to Microsoft Server platform with limited interruptions.
- Ensured offsite backup of City IT files and operational support through vendor selection process.
- Established goal to replace AS/400 accounting system server in summer 2008.

Main Street Downtown Development Authority – Dana Kollwehr, MSDDA Director

- Completed parking lots 2 and 3 reconstruction.
- Assisted in removal of former dry cleaner building to create a new parking area, consisting of 19 spaces, at the corner of Franklin and 1st Street.
- Purchased and installed six new bike racks for the downtown.
- Began Washington Avenue infrastructure re-design and update in cooperation with City staff and City Council.
- Developed three new special events in the downtown.
- Launched the downtown dumpster program through a joint effort with the City of Grand Haven.
- Developed and organized six training seminars for downtown businesses.
- Began the process of recruiting businesses through the development of a business recruitment strategy.

Future Major Initiatives

Intensive discussions on needed infrastructure and financial alternatives continued throughout the fiscal year. The infrastructure project, engineered by Fishbeck, Thompson, Carr and Huber, provided a comprehensive overview of infrastructure needs. Concurrent reviews by City administration, financial consultants and an ad hoc Infrastructure Task Force continued the process. Water and sewer consumption rates were studied in anticipation of future infrastructure costs, but no increase occurred during the fiscal year. An election in November 2007 provided supporting millage for the \$9,400,000 UTGO Infrastructure Bond sold in June, 2008. The Budget for fiscal year 2008-09 notes significant anticipated capital and operational activities. Copies for public review are available at City Hall.

Reporting Model Format

The objective of the Financial Statements of the City of Grand Haven under GASB Statement 34 is to highlight the accountability of the City by providing useful information to a wide range of users. A few of the more significant reporting requirements include:

- This transmittal letter and the "Management Discussion and Analysis" (MD&A). These documents provide an in-depth review and discussion of the City's financial position. GASB Statement 34 provides very specific guidance for topics that must be covered in the MD&A. Many of the key financial topics are covered by the MD&A which can be found immediately after the auditor's opinion letter.

- Entity-wide statements are presented on a full accrual basis of accounting. The full accrual method addresses overall operating results and the financial position of the City as an economic entity, as is done in the private sector.
- In the basic financial statements, individual fund activity is disclosed for major funds. Non-major funds are combined in one column. Reporting by major fund helps readers focus attention on "big picture" items. As in prior years, the individual statements for governmental type activities are reported on a modified accrual basis. This means that all non-entity-wide statements require reconciliation schedules to the entity wide statements.
- Because of the differing basis of accounting (full accrual vs. modified accrual), numbers will not easily trace to the entity wide statements without the reconciliation. The modified accrual basis accounting is the traditional method used for governmental activities and provides an easier framework for budgeting and controlling expenditures.

Independent Audit

State statutes and the City Charter require an annual financial audit by an independent certified public accounting firm. In May 2003, City Council selected the accounting firm of BDO Seidman, Certified Public Accountants, who provided auditing services for the first years of the engagement. In the summer of 2004, BDO Seidman sold its Muskegon office to former BDO partners. Pridnia LaPres, PLLC provides the same auditing staff originally provided by BDO Seidman and at the same cost. The City Council of the City of Grand Haven has indicated that the City will seek proposals for auditing services for the next fiscal year under a policy of periodic proposal seeking to assure low cost, high quality auditing.

Acknowledgments

The work of preparing the financial report has required the help and assistance of many people. The staff of the Finance Department and the Treasurer's Office in particular spent many hours working on this project. Katrina Robinson, Accounting Supervisor, deserves special thanks for her significant efforts in organizing and directing the audit preparation work.

Additionally, the positive financial position the City of Grand Haven displayed in this CAFR could not have been achieved without the valuable efforts of the City's Administrative Staff in following City Council defined policies and effective administrative procedures. Appreciation for their efforts and congratulations on a "job well done" are hereby offered to:

Julie Beaton, Special Projects Manager
 Dana Bulson Kollwehr, MSDDA Director
 Dennis S. Edwards, Director of Public Safety
 William Hunter, Public Works Manager
 Sandra Katt, Community Affairs Manager
 Kristin Keery, City Planner
 Michele Mahawili, Human Resources Manager
 Tom Mandersheid, Director of Transportation
 Linda Niotis, City Clerk
 John Stuparits, Wastewater Superintendent
 Lisa Sutterfield, Assistant City Manager
 Joseph VanderStel, Water Plant Manager
 Teri Van Hall, City Treasurer
 Dan Vivian, Facilities Manager

Sincerely,

Patrick McGinnis
 City Manager
 616 847-4888
 pmcginnis@grandhaven.org

James P. Bonamy
 Finance Director
 616 935-3214
 jbonamy@grandhaven.org

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Haven, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grand Haven's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Haven, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, budgetary comparison information and schedule of funding progress on pages 16 through 29 and pages 84 through 87 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Haven's basic financial statements. The combining funds statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining funds statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Pridnia Lathes, LLC". The signature is written in a cursive, flowing style.

Muskegon, Michigan
October 27, 2008

City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2008

1) Financial Highlights:

- a) In all material respects, the City of Grand Haven ended the fiscal year in an overall better financial position than it started the year. All funds ended the year as expected with positive fund balance with the exception of the Main Street Downtown Development Authority and the Brownfield Redevelopment Authority Funds, both component unit funds (pages 46-47). General Fund total expenditures finished under budget, although, including transfers out, the fund had a \$144,421 decrease in fund balance (page 84). Including component units, overall debt increased due to the addition of a \$9,400,000 UTGO Infrastructure Bond issued in June, 2008.
- b) Governmental activity net assets totaled \$48,885,894 at June 30, 2008, up from \$48,319,813 at June 30, 2007 (page 30).
- c) Business-type activities net assets totaled \$38,404,679 at June 30, 2008, up from \$32,534,391 at June 30, 2007 (page 30).
- d) Total expenses for governmental activities totaled \$10,903,172 at June 30, 2008 and \$10,205,305 at June 30, 2007 (page 32).
- e) Total expenses for business-type activities totaled \$36,386,937 at June 30, 2008 and \$37,383,100 at June 30, 2007 (page 32).
- f) The General Fund is healthy. Fund balance decreased by \$144,421. Year end fund balance for the General Fund totaled \$3,336,085, down from \$3,480,506 at June 30, 2007 (page 35).
- g) The General Fund cash position is also healthy at \$3,078,214 as of June 30, 2008, up from \$3,310,872 as of June 30, 2007 (page 34).
- h) The Brownfield Redevelopment Authority Fund posted a fund deficit position of \$862,935 as of June 30, 2008 compared to \$617,014 as of June 30, 2007. The deficit will be eliminated over time by future revenue in tax increments and electric utility franchise fees (page 47).
- i) The Main Street Downtown Development Authority (MSDDA) Fund posted a fund deficit position of \$202,781 as of June 30, 2008 compared to a deficit of \$297,423 as of June 30, 2007. The deficit will be eliminated over time by future revenue in tax increments (page 46).
- j) The Health Benefits Fund net assets balance position is \$728,787 at June 30, 2008 compared to \$817,514 at June 30, 2007. As the policy of the fund is to target a \$300,000 fund balance for cash flow purposes, revenues from operating funds were reduced compared to expenses (Page 109).
- k) A fire in January 2008 damaged a portion of the Chinook Pier buildings, purchased in 2005. Fortunately, property insurance coverage allowed timely repair of the building, incurring no current costs other than the payment of a \$1,000 deductible. During the fiscal year, \$97,007 was paid by the insurance company, the remainder (including loss of rental revenue) of \$48,486 to be paid in November, 2008, after the close of the fiscal year.
- l) A \$9,400,000 UTGO Infrastructure Bond was sold in June, 2008. Voters approved one mill to support infrastructure project bonds in November 2007. The City received an upgraded Standard and Poor's rating of "AA" on all outstanding debt. Capital projects related to these bonds are anticipated to begin in the spring of 2009.
- m) A \$3,345,000 Downtown TIF Bond was sold in January 2006. Proceeds from current tax increment increases in the Main Street Downtown Development Authority area support the debt service. The project began construction in September, 2006 and continued beyond the end of the fiscal year reported.
- n) The \$710,000 2005 Brownfield TIF Bond (Boat Storage Site) construction was completed in the summer of 2005. During the reported fiscal year, the debt service fund continued its principal and interest payments on the bond.
- o) A \$2,830,000 Building Authority bond was issued in August 2006 for the Community Center expansion/renovation project, which was completed in August, 2007, during the reported fiscal year. The related debt service fund continued its principal and interest payments on the bond. Voted millage is dedicated to debt retirement by City Council directive.
- p) A \$15,095,000 Brownfield TIF Bond was issued in September 2006 for public infrastructure costs at the Grand Landing site. Increased millage from private investment on the property is proposed to fund debt service. During the reported fiscal year, the debt service fund continued its interest

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payments on the bond. Public environmental remediation and infrastructure construction is anticipated to continue through 2011.

- q) The cash position and net assets position of the various enterprise funds will continue to be studied in FY 2008-09. An overall \$871,998 increase in combined City proprietary funds net assets occurred during the fiscal year (excluding the Board of Light and Power) (page 40). The Marina Fund net assets increased by \$959,905 due to a dock replacement project funded 50% by the State and a transfer from the City's Public Improvement Fund to provide the local match. This was mitigated by a loss in the Harbor Transit Fund of \$171,238, most of the reduction due to losses in State and other revenue. Those losses will continue to be studied during the 2008-09 fiscal year to determine appropriate service levels. Total proprietary fund net assets at the end of the fiscal year (excluding the Board of Light and Power) were \$18,935,939 compared to \$18,063,941 as of June 30, 2007.

2) Overview of the Financial Statements:

a) Overall financial picture

The financial statements provide two views of the City's financial position. At the broadest level, called the government-wide statements, the report summarizes all City funds into one statement using the full accrual method of accounting. This method of accounting is similar to private sector accounting.

i) *Statement of Net Assets*

The *Statement of Net Assets* provides information on assets, liabilities and the difference between assets and liabilities, or net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health. A trend of increasing net assets is viewed as a sign of improving condition. The *Statement of Net Assets* is similar to a balance sheet in private sector accounting.

ii) *Statement of Activities*

The *Statement of Activities* explains the change in net assets through revenue and expense analysis and comparison. All changes in net assets are reported as the change occurs. This means the statement includes depreciation on the assets. The statement does not report any capital projects. Capital projects are reported on the *Statement of Net Assets*.

b) Fund Focus

Governmental accounting focuses on individual governmental funds. A fund is defined as a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are used to ensure compliance with finance-related legal or regulatory requirements. Funds are classified as either governmental funds, proprietary funds or fiduciary funds.

i) Governmental Funds

Governmental funds are essentially equal to governmental activities except that internal service funds are proprietary funds included in governmental activities. Internal service funds are not governmental funds. Governmental funds use the modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and the resulting balances of spendable resources. In the governmental funds statements, accounting for items such as capital outlay, depreciation, debt payments, and accrued vacation is different than in the government-wide statements. In governmental funds, capital outlay and debt principal are reported on the *Statement of Revenues, Expenditures and Changes in Fund Balance*. Depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The *Balance Sheet* for governmental funds does not include any capital assets or long-term debt.

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(1) Major Funds

Under Governmental Accounting Standards Board (GASB) Statement 34, the focus has shifted from the governmental fund type to a major funds emphasis. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. Greater detail is presented in Major Funds. For the City of Grand Haven, the following funds meet this major funds requirement:

- General Fund
- Public Improvement Fund
- 2008 UTGO Infrastructure Bond Fund
- Board of Light and Power Fund

Note that the Board of Light and Power Fund is a department of the City by City Charter, but issues its own annual financial report. Detail regarding its operations not found in this report may be found in that audit report, which is available at City Hall or at the Board's offices on Eaton Street.

(2) Non-major funds

In the basic financial statements, the remaining funds are considered non-major funds and are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the Notes to the Financial Statements.

ii) Proprietary Funds

Proprietary funds use the full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds.

(1) Enterprise Funds

These funds are used to report business-like activities. In general, these funds charge a fee for goods or services provided. Also, the fee is generally expected to recover the cost of providing the goods or services. The City of Grand Haven uses enterprise funds for water distribution, wastewater collection, transit, marina, airport, rental of the Chinook Pier building and the Board of Light and Power (BLP). The BLP fund qualifies as a major fund as noted above.

(2) Internal Service Funds

These funds provide goods or services to other city activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle maintenance; health benefits; liability, property and auto insurance; worker and unemployment compensation; and claims administration. The City of Grand Haven has three internal service funds, the Motorpool Fund, the Self Insurance Fund and the Health Benefits Fund.

iii) Component Units

The City of Grand Haven's Comprehensive Annual Financial Report (CAFR) includes three discrete component units. Component units are separate legal entities for which the City of Grand Haven has some level of financial accountability. Discrete component units are shown on pages 46-49. The City of Grand Haven's discrete component units include:

- The Economic Development Corporation.
- The Main Street Downtown Development Authority (MSDDA)
- The Brownfield Redevelopment Authority

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The City of Grand Haven CAFR includes one blended component unit:

- The City of Grand Haven Building Authority.

The Building Authority is a blended component unit based on its close relationship with other City of Grand Haven Funds. Capital projects financed through the Building Authority are rented to the City and returned as City assets once payments on the project and associated debt are completed.

More information about all component units can be found in the notes to the financial statements and in the schedules following the notes.

c) Notes to the Financial Statements

Immediately following the Government-wide financial statements are the Notes to the Financial Statements. The Notes are an integral part of the financial statements. The Notes contain many additional disclosures about the financial health and policies of the City.

3) Financial Analysis

a) Net Assets

The *Statement of Net Assets* provides an overview of the City's assets, liabilities and net assets. As mentioned above, this can provide a good indicator of the City's fiscal health over time. A comparative analysis of government-wide data is presented pursuant to GASB requirements.

On the next page is a summarized version of the *Statement of Net Assets*.

**City of Grand Haven, Michigan
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**City of Grand Haven, Michigan
Net Assets**

	As of June 30, 2008			As of June 30, 2007		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$24,973,853	\$34,469,984	\$59,443,837	\$16,965,741	\$33,778,793	\$50,744,534
Capital assets	38,510,450	63,715,930	102,226,380	37,153,036	63,377,901	100,530,937
Total assets	63,484,303	98,185,914	161,670,217	54,118,777	97,156,694	151,275,471
Long-term debt	13,503,559	48,898,656	62,402,215	4,630,426	53,576,295	58,206,721
Other liabilities	1,094,850	10,882,579	11,977,429	1,168,538	11,046,008	12,214,546
Total liabilities	14,598,409	59,781,235	74,379,644	5,798,964	64,622,303	70,421,267
Net assets						
Invested in capital assets, net of related debt	34,917,717	17,082,402	52,000,119	33,195,282	15,655,239	48,850,521
Restricted	4,959,948	5,815,887	10,775,835	6,014,548	6,161,262	12,175,810
Unrestricted	9,008,229	15,506,390	24,514,619	9,109,983	10,717,890	19,827,873
Total net assets	\$48,885,894	\$38,404,679	\$87,290,573	\$48,319,813	\$32,534,391	\$80,854,204

The total net assets are \$87,290,573, up from \$80,854,204 last year (above). Investment in capital assets including infrastructure totals \$209,319,439 of which \$198,827,675 is being depreciated, leaving \$102,226,380 in net capital assets (from Note #4). The single largest category in capital assets is the City's investment in production and treatment systems of \$98,684,609 (Note #4). Of the more liquid assets, \$10,775,835 is restricted (page 30). The City has \$24,514,619 in unrestricted net assets (page 30).

Changes in Net Assets

i) **Governmental Activities Highlights**

The table on the next page shows how activities created changes in net assets during the fiscal year.

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2008**

**City of Grand Haven, Michigan
Changes in Net Assets**

	Year ended June 30, 2008			Year ended June 30, 2007		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program revenue						
Charges for services	\$1,703,866	\$38,435,403	\$40,139,269	\$1,634,754	\$37,383,982	\$39,018,736
Grants and contributions	1,041,192	1,795,195	2,836,387	1,164,294	3,402,928	4,567,222
General revenues						
Property Taxes	7,723,720	-	7,723,720	7,303,030	-	7,303,030
Federal and state contributions	1,052,837	-	1,052,837	1,135,490	-	1,135,490
Investment earnings	662,440	760,093	1,422,533	920,414	932,130	1,852,544
Gain (loss) on sale of Assets	-	900	900	2,170,908	21,856	2,192,764
Other	260,130	290,702	550,832	201,924	176,564	378,488
Total revenues	12,444,185	41,282,293	53,726,478	14,530,814	41,917,460	56,448,274
Expenses						
General government	2,499,227	-	2,499,227	2,779,148	-	2,779,148
Public safety	4,104,463	-	4,104,463	3,716,753	-	3,716,753
Public works	3,182,411	-	3,182,411	2,733,013	-	2,733,013
Culture and recreation	989,036	-	989,036	817,961	-	817,961
Interest	128,035	-	128,035	158,430	-	158,430
Board of Light and Power	-	31,118,622	31,118,622	-	31,633,829	31,633,829
Other proprietary funds	-	5,268,315	5,268,315	-	5,749,271	5,749,271
Total expenses	10,903,172	36,386,937	47,290,109	10,205,305	37,383,100	47,588,405
Change in nets before transfers	1,541,013	4,895,356	6,436,369	4,325,509	4,534,360	8,859,869
Transfers	(974,932)	974,932	-	(501,095)	501,095	-
Change in net assets	566,081	5,870,288	6,436,369	3,824,414	5,035,455	8,859,869
Net assets, beginning of year	48,319,813	32,534,391	80,854,204	44,495,399	27,498,936	71,994,335
Ending net assets	\$48,885,894	\$38,404,679	\$87,290,573	\$48,319,813	\$32,534,391	\$80,854,204

(1) Revenue sources and changes

Total revenue from all sources totaled \$53,726,478 of which \$12,444,185 was from governmental activities and \$41,282,293 was from business-type activities. \$7,723,720 of

City of Grand Haven, Michigan
Management's Discussion and Analysis
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governmental revenue is from property taxes. The millage rate for general operations remained the same 9.6639 mills from the prior year. Another \$1,052,837 in revenue was from unrestricted state shared revenue. Charges for services brought in \$1,703,866 of governmental activities revenue and \$38,435,403 in business-type activities.

(2) Expenses and expenditures changes

(a) Overall cost

Using a full accrual basis of accounting, the City of Grand Haven spent \$10,903,172 on governmental activities. From this perspective, the City depreciates capital assets including infrastructure such as streets and sidewalks. The City spent \$4,104,463 on public safety, \$2,499,227 on general government, \$3,182,411 on public works activities and culture and recreation expenses totaled \$989,036. Interest on debt under governmental activities totaled \$128,035.

(b) Operating transfers

Significant transfers of funds between governmental funds occurred during the year. Transfers out of the General Fund totaled \$2,686,683 the greatest portion of these being transferred into the Public Improvement Fund, a total of \$1,705,210 including a post 2007 audit transfer of \$1,500,000. These post-audit transfers may occur on an annual basis upon City Council approval and are the primary source of capital improvement revenue. For clarity of reporting, they are noted here.

ii) Business-type Activities – Highlights

Business-type activities show an increase in net assets of \$5,870,288 from revenues of \$41,282,293. The largest source of revenue for business-type activities was from charges for services of \$38,435,403. Charges for services of non-major proprietary funds are further detailed as follows:

• Water	\$1,456,437
• Wastewater	1,376,319
• Harbor Transit	146,325
• Marina	285,768
• Airport	89,957
• Chinook Pier	101,962

As the Board of Light and Power produces its own audited annual financial report, further information on their activities may be obtained from that document.

Wastewater collection and water distribution are the largest business-type activities after the Board of Light and Power, \$1,281,152 and \$1,555,463 in operating expenses respectively.

(1) City Water (Distribution)

The City Water Fund is a capital intensive activity. In recent years, the fund has been showing a slight increase in net assets, but it is showing a decrease in cash position anticipated by Jackson and Waverly projects. Water rates were increased by 25 cents per 1000 gallons effective July 1, 2005 (prior to the fiscal year reported herein), anticipating future capital needs. The City continues to study a large infrastructure project including water distribution line replacement. In November 2007, voters approved a \$9,400,000 capital improvement (2008 Infrastructure) bond (approximately 1 mill for 20 years). Improving meter reading technology remains under consideration. The FY2008-09 budget includes funds to study the water distribution system and to determine the best method of managing future system maintenance. With the continuing implementation of new regulatory requirements for selected water treatment systems, capital needs for the fund will increase.

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Note that this fund handles only the distribution of water to Grand Haven customers. The City Water Fund purchases its treated potable water from the Northwest Ottawa Water System (NOWS), a joint water treatment purchase venture of Northwest Ottawa County communities. Note that the NOWS Fund reconstructed the south intake system and is considering a substantial increase in the size of the water plant within five years. These adjustments are included in the various City studies.

(2) City Wastewater (Collection)

The City Wastewater Fund has continued a limited cash position at \$13,536. With operating revenues of \$1,432,547, the fund had an increase of \$205,258 in net assets. The fund has limited reserves to meet its cash flow and capital needs for the immediate future, however, should larger projects be warranted, the City will need to consider issuing debt to gain the necessary resources. Sewer rates were increased by 25 cents per 1000 gallons effective July 1, 2005, anticipating future capital needs. The City anticipates a large infrastructure project including sewer collection line replacement. In November 2007, voters approved a \$9,400,000 capital improvement (2008 Infrastructure) bond (approximately 1 mill for 20 years). The FY2008-09 budget includes funds to study the system and determine the best method of managing future collection system maintenance. Administration expects that the capital needs for the sewer collection system will increase.

Note that this fund handles only the collection of wastewater for Grand Haven customers. The City Wastewater Fund purchases its treatment of wastewater from the Grand Haven-Spring Lake Sewer Authority, a separate governmental entity serving Northwest Ottawa County communities. Note that the Sewer Authority does not anticipate major improvements in treatment facilities within five years.

(3) Harbor Transit

The City owns and operates a demand-response bus transportation system, funded by a combination of bus fares, property taxes and grants from Federal, State and local partnering agencies. Major capital assets are purchased with grants from the State and Federal governments. The Harbor Transit Fund has an unrestricted net assets position of \$10,767 and \$450 in cash with \$381,870 due from Local, State and Federal governments at June 30, 2008.

The biggest challenge remains the City's direct Federal and State aid for operations which includes a revised capital component. The City is part of the Muskegon Metropolitan Statistical Area pursuant to the 2000 Census. Coordination with the Muskegon Municipal Planning Organization is crucial to maintaining and advancing transportation services for the City and North Ottawa area residents. While funding levels are relatively static, City elected officials and management continue to work with elected officials in Muskegon, Lansing and Washington to maintain the current reimbursement formula.

Additionally, the local governmental partners have issued concern for the continuing rise in local match costs for the transit services provided in their communities. A grant funded study will be performed during the 2008-09 fiscal year.

During the fiscal year, in August, 2007, the former Transportation Director and Operations Manager gave notice of their retirements in February, 2008, significant as their efforts have provided nearly thirty years of transit services management to the community. Replacement of both position occurred during the fiscal year.

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(4) Marina

Fiscal needs of the Marina Fund are consistent with infrastructure assets reaching the end of their useful life, especially docks. The City received a \$500,000 matching grant from Michigan Waterways which significantly completed phase one dock replacement during the fiscal year. Local funding of approximately \$500,000 came from the Public Improvement Fund, to be reimbursed with marina revenue in years to come. A phase two \$500,000 matching grant is also slated for the future to complete dock replacement.

(5) Airport

The Airport Fund continues to pay on its newest hangars (1995 and 1998) and remains in a positive position excluding depreciation. The aviation easement project continued during the fiscal year with the remaining easement agreements resolved through arbitration. Operationally, airport hangar use has diminished placing additional pressure on operations. The airport remains viable, but revenue no longer supports operations. The increase in net assets noted in this report is largely grant funding provided for the aviation easements.

Under consideration is the construction of a three unit commercial hangar structure costing approximately \$800,000, funding coming from State (2.5%) and Federal (95%) sources. Construction could occur in the spring of 2009 pending City Council approval.

4) Financial Analysis of Individual Funds

a) General Fund

The General had revenues of \$10,882,251 and \$8,378,238 in expenditures excluding transfers (page 35). Revenue came in over budget, expenditures under budget. Net transfers to other funds were \$2,648,434, the largest going to Public Improvement Fund, pursuant to millage receipts and direction of City Council. Net assets decreased by \$144,421 (page 84).

For FY 2007-08, City Council's budget resolution required City Council review of cumulative transfers over \$1,000 in General Fund line items and provided department-level total approval in that Fund. The remaining Funds have been approved on a "whole fund" basis. This is anticipated for future years as well.

b) Public Improvement Fund

The Public Improvement Fund posted revenue of \$826,123 and expenditures of \$1,070,280. Transfers to other funds totaled \$1,113,037 while transfers to the Public Improvement Fund totaled \$1,705,210 (page 85).

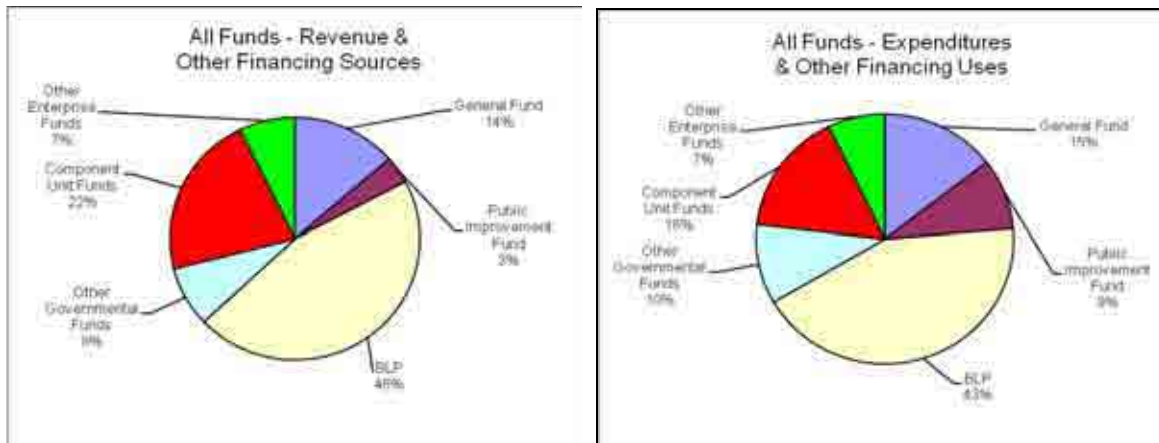
c) 2008 UTGO Infrastructure Bond Fund

The 2008 UTGO Infrastructure Bond Fund posted revenue of \$2,524 and expenditures of \$193,952. Other financing sources, including proceeds and premium from issuance of long-term debt, totaled \$9,411,471 (page 85).

d) Board of Light and Power Fund

As the Board of Light and Power produces its own audited annual financial report, further information may be obtained from that document.

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5) Capital Assets and Debt Administration

a) Capital assets

i) Summary of capital assets

The City of Grand Haven has \$113,263,466 invested in capital assets net of depreciation, \$38,510,450 in governmental activities, \$63,715,930 in business-type activities and \$11,037,086 in component unit funds. The major investments are in Major and Local Streets under governmental activities and in property, plant, transmission, distribution and collection systems within the Board of Light and Power, City Water and City Sewer Funds. Capital assets include purchases of assets that exceed \$1,000 and have an expected useful life greater than one year. Capital assets include: land, land improvements, streets, sidewalks, buildings and equipment and utility systems such as the J. B. Sims (electric generation) plant and electric, water and sewer lines. The City uses straight line depreciation for all depreciable assets.

Some of the major capital purchases during the year included:

- Continuing investment in street resurfacing, water and sewer line maintenance and replacement, especially the completion of Jackson Street from Third to Fifth and the partially completed Jackson East (from Beacon Blvd to Griffin) and Waverly Street projects.
- Significant Brownfield environmental remediation and public infrastructure construction on the Grand Landing site

For further information, please see Note 4 in the Notes to the Basic Financial Statements elsewhere in this document.

ii) Discussion of future plans

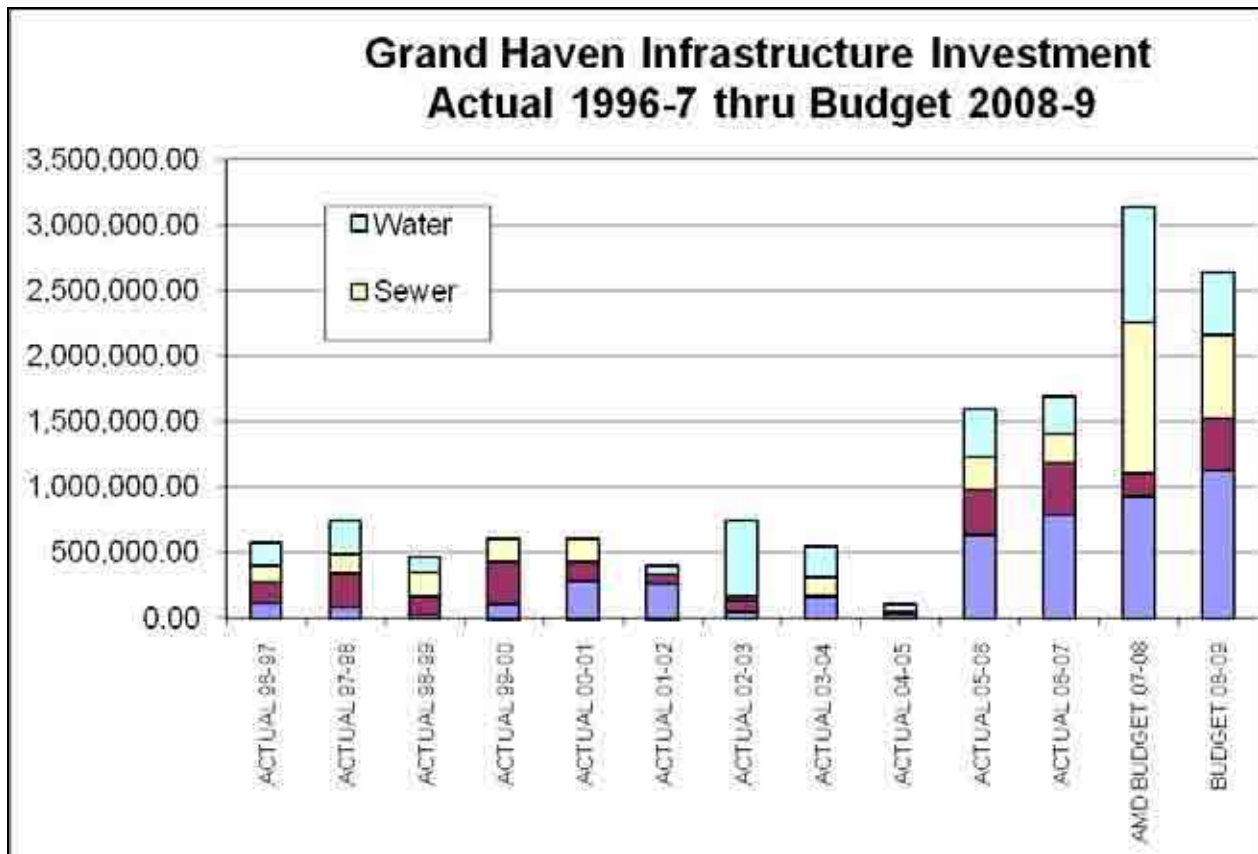
Annually, the City Council considers and publishes a 5-year Capital Improvement Plan during the budget process. The Plan lists all major capital items that the City Council, various City Boards and staff envision will be needed over the next five years. Major projects for the next fiscal year include:

- Infrastructure projects including streets, water distribution and sewer collection systems
- Capital updates to Grand River boardwalk land improvements in anticipation of the 25th anniversary celebration in August 2009.
- Marina dock replacement phase two including funding from the State Waterways Commission.

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- Improvements to Washington Street infrastructure possibly including a snowmelt system utilizing waste heat from the Board of Light and Power.
- Continuing information technology, website and geographic information systems upgrades.

The 2008-2009 Annual Operating Budget is available for review at City Hall.



Debt

b) Summary of debt:

The City of Grand Haven had \$13,503,559 in debt outstanding as of June 30, 2008 for governmental activities, \$48,898,656 in business-type activities and \$20,042,355 from component units. The Board of Light and Power is responsible for \$52,910,066 of the total debt outstanding in revenue refunding bonds. During the fiscal year, the City issued debt in the form of a \$9,400,000 UTGO Infrastructure Bond for public streets, water, sewer and related infrastructure throughout the City. Payments on all loans and obligations were made appropriately and on time to date.

Note 5 of the notes to the financial statements offers more detailed information on debt and other obligations.

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6) Economic Forecast

a) The City of Grand Haven has three main sources of revenue. These include property taxes, state shared ("community funding") revenue and utility charges for services. The economic forecast for the City is dependent on these three revenues as discussed below.

i) Tax Base

The annual change in taxable value and state equalized value of the City is closely tracked through the City's Assessing Division. The following table shows property values for past years as well as the property valuation that was estimated for the FY2008-09 property tax calculations. State Equalized Value (SEV) is the Assessor's estimate of 50% of market value (also called "true cash" value). Property taxes are calculated on taxable value, not SEV.

Pursuant to 1994's Proposal A and related legislation, annual taxable value growth is capped by the State Constitution, to 5% or the rate of inflation whichever is less. In the year when a property sells, the taxable value becomes uncapped and equal to SEV.

In future years, significant improvements to taxable value and SEV will include the Grand Landing project and potential Downtown commercial and residential additions. Some reductions in taxable value have occurred with various industrial closings such as Eagle Ottawa Leather and Magna Donnelly during the fiscal year.

The table below provides recent history on SEV and taxable values.

**City of Grand Haven, Michigan
State Equalized Value**

Fiscal Year	Real	Personal	IFT	Equivalent SEV Total
2004-05	459,525,400	57,125,500	29,358,750	531,330,275
2005-06	491,490,800	60,083,200	26,526,500	564,837,250
2006-07	532,075,000	60,072,050	24,100,500	604,197,300
2007-08	566,730,300	62,225,200	27,623,750	642,767,365
2008-09	605,790,800	59,518,100	19,812,350	675,215,075

**City of Grand Haven, Michigan
Taxable Value**

Fiscal Year	Real	Personal	IFT	Equivalent TV Total
2004-05	387,279,063	57,125,500	29,194,212	459,001,669
2005-06	412,999,155	60,083,200	26,419,200	486,291,955
2006-07	443,047,234	60,072,050	23,971,872	515,105,220
2007-08	473,310,783	62,225,200	27,267,334	549,169,650
2008-09	502,085,385	59,518,100	19,623,195	571,415,082

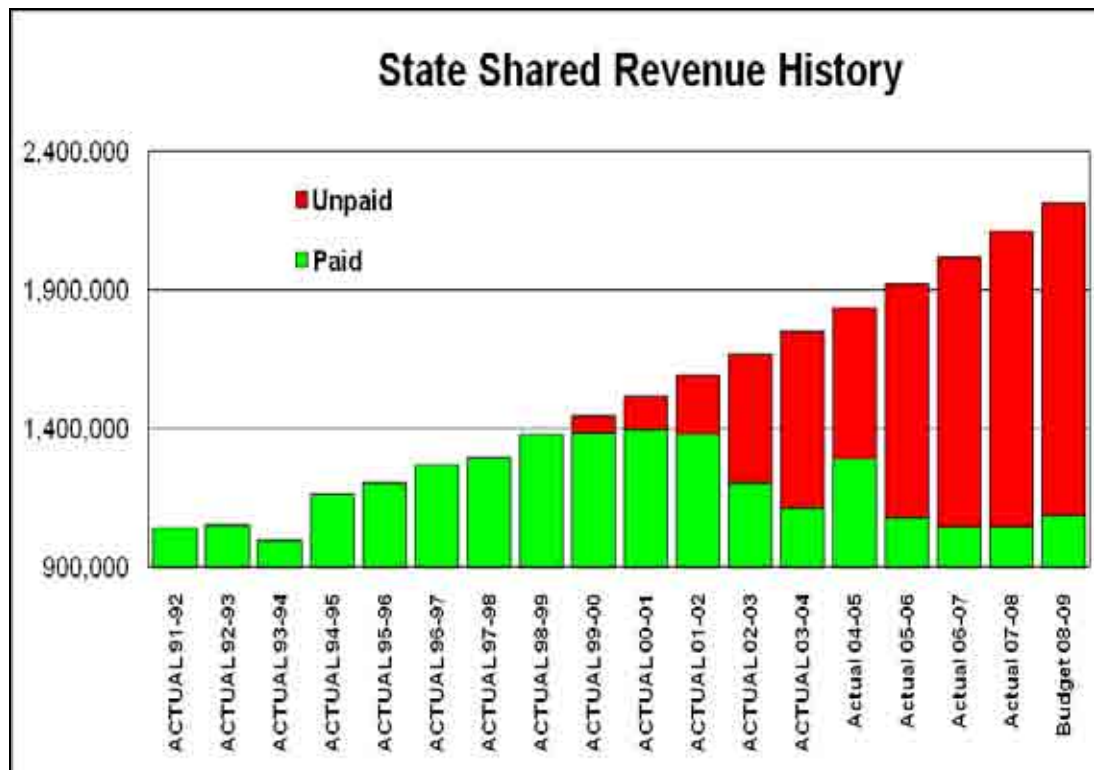
Equivalent SEV and Equivalent TV Totals are the sum of Real plus Personal plus 1/2 IFT.

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ii) State Shared Revenue

State shared ("community funding") revenue is the second largest source of revenue for the General Fund, comprising 9.67% or \$1,052,837 of General Fund revenue. It is made of two components and based on the State sales tax rate of 6%. The "constitutional" component is based on the State constitutional 4% sales tax. This portion cannot be adjusted by legislative action. The "statutory" component is based on an additional 2% added to the state sales tax (in 1994) and may be adjusted by the state legislature. In both components, the overall distribution is dependent on the collection of state sales taxes. When the economy and sales diminish, the revenue stream is reduced. When the economy and sales improve, revenue may increase. In recent years, there has been a substantial reduction in revenue maintained. Therefore, the City of Grand Haven's General Fund is partially dependent on the overall State of Michigan economy.

In preparing the annual budgets, City Administration uses Michigan Department of Treasury estimates as published on their web site. Current reviews of state shared revenues show significant decreases in revenue from FY1998-99 forward. Management believes that the FY2007-08 budget was prepared with recognition of the continuing difficult Michigan economy and anticipates pressure to remain on the statutory portion. The current fund balance should enable the City to weather likely reductions in FY2007-08 community funding revenue; however, conservative estimates for the future will continue to be needed.



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Utility Charges for Services

From an entity wide perspective, utility charges for services are the third major revenue source. Utility service sales are affected by the economy and by the weather for residential customers and also by the general economic conditions of local industries. For the FY2008-09 budget, City Administration forecasted that units of sales will be roughly equal to prior fiscal year volumes.

7) Contacting the City's Financial Management Staff

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact us at 519 Washington Avenue, Grand Haven, MI 49417, or as noted below.

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James P. Bonamy
Finance Director
616 935-3214
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<i>June 30, 2008</i>	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and investments	\$ 22,674,338	\$ 14,041,740	\$ 36,716,078
Receivables			
Accounts	161,037	4,245,974	4,407,011
Intergovernmental	519,033	787,989	1,307,022
Assessments	74,916	60,305	135,221
Notes	726,123	-	726,123
Interest	-	18,754	18,754
Prepaid items	219,151	99,061	318,212
Internal balances	361,478	(341,478)	20,000
Inventory	43,825	2,938,119	2,981,944
Restricted assets (Note 1)	-	12,310,275	12,310,275
Capital assets, net of accumulated depreciation (Note 4)	38,510,450	63,715,930	102,226,380
Deferred charges	193,952	309,245	503,197
Total Assets	63,484,303	98,185,914	161,670,217
Liabilities			
Payables			
Accounts	823,153	2,869,194	3,692,347
Intergovernmental	-	44,076	44,076
Accrued liabilities	161,641	1,144,380	1,306,021
Current liabilities payable from restricted assets (Note 1)	-	6,494,388	6,494,388
Long-term debt (Note 5)			
Due within one year	1,255,637	158,675	1,414,312
Due in more than one year	12,247,922	48,739,981	60,987,903
Unearned revenues	110,056	330,541	440,597
Total Liabilities	14,598,409	59,781,235	74,379,644
Net Assets (Deficit)			
Invested in capital assets, net of related debt	34,917,717	17,082,402	52,000,119
Restricted for			
Capital projects	3,145,064	-	3,145,064
Debt service	278,728	5,815,887	6,094,615
Perpetual care	1,536,156	-	1,536,156
Unrestricted	9,008,229	15,506,390	24,514,619
Net Assets (Deficit)	\$ 48,885,894	\$ 38,404,679	\$ 87,290,573

City of Grand Haven, Michigan

Statement of Net Assets (Deficit)



Total Component Units

\$ 8,438,005

-

113,490

-

-

-

-

-

125,000

11,037,086

218,542

19,932,123

279,212

-

142,118

-

50,000

19,992,355

-

20,463,685

(2,498,210)

-

125,000

-

1,841,648

\$ (531,562)

The accompanying notes are an integral part of this statement.

Year ended June 30, 2008	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,499,227	\$ 1,206,106	\$ -	\$ 197,146
Public safety	4,104,463	133,763	-	-
Public works	3,182,411	246,732	844,046	-
Culture and recreation	989,036	117,265	-	-
Debt service				
Interest	128,035	-	-	-
Total Governmental Activities	10,903,172	1,703,866	844,046	197,146
Business-Type Activities				
Board of Light and Power	31,118,622	34,872,669	-	362,839
Other proprietary funds	5,268,315	3,562,734	1,432,356	-
Total Business-Type Activities	36,386,937	38,435,403	1,432,356	362,839
Total Primary Government	\$ 47,290,109	\$ 40,139,269	\$ 2,276,402	\$ 559,985
Component Units				
Economic Development Corporation	\$ 3,068	\$ -	\$ -	\$ -
Main Street Downtown Development Authority	338,403	17,018	20,000	-
Brownfield Redevelopment Authority	587,687	-	1,765	166,738
Total Component Units	\$ 929,158	\$ 17,018	\$ 21,765	\$ 166,738

General Revenues, Special Items and Transfers

Taxes
Grants and contributions not restricted to specific programs
Interest income
Gain on sale of capital assets
Miscellaneous
Transfers in (out)

Total General Revenues, Special Items, and Transfers

Change in Net Assets (Deficit)

Net Assets (Deficit), beginning of year

Net Assets (Deficit), end of year

City of Grand Haven, Michigan

Statement of Activities

Net (Expense) Revenue and Changes in Net Assets				
Total	Primary Government		Total	Total Component Units
	Governmental Activities	Business-Type Activities		
\$ 1,403,252	\$ (1,095,975)	\$ -	\$ (1,095,975)	\$ -
133,763	(3,970,700)	-	(3,970,700)	-
1,090,778	(2,091,633)	-	(2,091,633)	-
117,265	(871,771)	-	(871,771)	-
-	(128,035)	-	(128,035)	-
2,745,058	(8,158,114)	-	(8,158,114)	-
35,235,508	-	4,116,886	4,116,886	-
4,995,090	-	(273,225)	(273,225)	-
40,230,598	-	3,843,661	3,843,661	-
\$ 42,975,656	(8,158,114)	3,843,661	(4,314,453)	-
\$ -	-	-	-	(3,068)
37,018	-	-	-	(301,385)
168,503	-	-	-	(419,184)
\$ 205,521	-	-	-	(723,637)
7,723,720	-	7,723,720	539,746	
1,052,837	-	1,052,837	-	
662,440	760,093	1,422,533	32,781	
-	900	900	-	
260,130	290,702	550,832	38,340	
(974,932)	974,932	-	-	
8,724,195	2,026,627	10,750,822	610,867	
566,081	5,870,288	6,436,369	(112,770)	
48,319,813	32,534,391	80,854,204	(418,792)	
\$ 48,885,894	\$ 38,404,679	\$ 87,290,573	\$ (531,562)	

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Governmental Funds

Balance Sheet

<i>June 30, 2008</i>	General Fund	Public Improvement Fund	2008 UTGO Infrastructure Bond Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,078,214	\$ 5,136,586	\$ 9,248,573	\$ 2,454,540	\$ 19,917,913
Due from other governments	207,597	162,302	880	147,594	518,373
Accounts receivable	91,117	344	-	4,700	96,161
Assessments receivable	547	-	-	74,369	74,916
Due from other funds (Note 6)	327,485	44,873	-	-	372,358
Prepaid items	2,218	18,135	-	-	20,353
Inventory	31,871	-	-	-	31,871
Total Assets	\$ 3,739,049	\$ 5,362,240	\$ 9,249,453	\$ 2,681,203	21,031,945
Liabilities					
Accounts payable	\$ 367,497	\$ 27,663	\$ 18,530	\$ 373,249	\$ 786,939
Due to other funds	-	-	10,880	-	10,880
Deferred revenue	35,467	-	-	74,589	110,056
Total Liabilities	402,964	27,663	29,410	447,838	907,875
Fund Balances					
Reserved for debt service	-	-	-	278,728	278,728
Reserved for capital projects	-	2,891,780	-	253,284	3,145,064
Reserved for endowments	-	-	-	1,536,156	1,536,156
Unreserved					
Designated for					
various projects	-	2,442,797	9,220,043	-	11,662,840
Undesignated	3,336,085	-	-	165,197	3,501,282
Total Fund Balances	3,336,085	5,334,577	9,220,043	2,233,365	20,124,070
Total Liabilities and Fund Balances	\$ 3,739,049	\$ 5,362,240	\$ 9,249,453	\$ 2,681,203	
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:					
Capital assets used for governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet.					\$ 36,986,207
Long term assets are not due and receivable in the current period and, therefore, they are not reported in the Governmental Funds Balance Sheet.					726,123
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment leasing to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-Wide Statement of Net Assets.					4,411,240
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the Governmental Funds Balance Sheet.					(13,503,559)
Bond issue costs are capitalized in the government-wide financial statements.					193,952
Accrued interest payable is not included as a liability in the Governmental Funds Balance Sheet.					(52,139)
Net Assets of Governmental Activities					\$ 48,885,894

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year ended June 30, 2008</i>	General Fund	Public Improvement Fund	2008 UTGO Infrastructure Bond Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 7,723,720	\$ -	\$ -	\$ -	\$ 7,723,720
Special assessments levied	-	-	-	17,354	17,354
Licenses and permits	521,286	-	-	-	521,286
State sources	1,052,837	197,146	-	844,046	2,094,029
Charges for services	1,015,788	-	-	15,675	1,031,463
Fines and forfeits	133,763	-	-	-	133,763
Reimbursements	-	417,454	-	38,684	456,138
Interest, penalties and rent	316,094	211,523	1,644	133,179	662,440
Miscellaneous revenue	118,763	-	880	31,534	151,177
Total Revenues	10,882,251	826,123	2,524	1,080,472	12,791,370
Expenditures					
General government	2,261,143	69,304	-	-	2,330,447
Public safety	3,768,655	-	-	-	3,768,655
Public works	1,391,768	-	-	1,271,058	2,662,826
Culture and recreation	956,672	-	-	-	956,672
Interest	-	-	-	138,437	138,437
Capital outlay	-	1,000,976	-	1,487,411	2,488,387
Debt service	-	-	193,952	522,224	716,176
Total Expenditures	8,378,238	1,070,280	193,952	3,419,130	13,061,600
Revenues over (under) expenditures	2,504,013	(244,157)	(191,428)	(2,338,658)	(270,230)
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	-	9,400,000	-	9,400,000
Premium from issuance of long-term debt	-	-	11,471	-	11,471
Transfers in	38,249	1,705,210	-	1,668,299	3,411,758
Transfers out	(2,686,683)	(1,113,037)	-	(586,970)	(4,386,690)
Total Other Financing Sources (Uses)	(2,648,434)	592,173	9,411,471	1,081,329	8,436,539
Revenues and other sources over (under) expenditures and other uses	(144,421)	348,016	9,220,043	(1,257,329)	8,166,309
Fund Balance, at beginning of year	3,480,506	4,986,561	-	3,490,694	11,957,761
Fund Balance, at end of year	\$ 3,336,085	\$ 5,334,577	\$ 9,220,043	\$ 2,233,365	\$ 20,124,070

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2008

Net Change in Fund Balances – Total Governmental Funds	\$ 8,166,309
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	2,488,387
Depreciation expense	(1,037,453)
	<u>1,450,934</u>

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term debt in the Statement of Net Assets.	(9,217,519)
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The repayment of long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt).	522,224
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Accrued interest on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.	(1,342)
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Amortization of bond premium and bond issue costs, which are capitalized in the Statement of Net Assets.	11,744
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The receipt of principal on long-term notes is a revenue in the governmental funds, but not in the Statement of Activities (where it reduces notes receivable).	(347,185)
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Compensated absences are recorded in the Statement of Activities when incurred; it is not reported in the governmental funds until paid.	4,370
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The net revenue of certain activities of internal service funds is reported with governmental activities.	(23,454)
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Change in Net Assets of Governmental Activities	\$ 566,081
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The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Net Assets

				Governmental Activities
	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Internal Service Funds
<i>June 30, 2008</i>				
Assets				
Cash and investments	\$12,992,995	\$ 1,048,745	\$ 14,041,740	\$2,756,425
Due from other governmental units	-	787,989	787,989	660
Receivables				
Accounts	3,345,434	900,540	4,245,974	64,876
Assessments	-	60,305	60,305	-
Interest	18,754	-	18,754	-
Prepaid items	98,147	914	99,061	198,798
Due from other funds (Note 6)	-	78,688	78,688	-
Inventory	2,835,705	102,414	2,938,119	11,954
Restricted assets	12,310,275	-	12,310,275	-
Capital assets, net of accumulated depreciation (Note 4)	45,563,055	18,152,875	63,715,930	1,524,243
Deferred charges	309,245	-	309,245	-
Total Assets	77,473,610	21,132,470	98,606,080	4,556,956

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Net Assets

				Governmental Activities
	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Internal Service Funds
<i>June 30, 2008</i>				
Liabilities				
Current liabilities				
Current portion of long-term debt	\$ -	\$ 158,675	\$ 158,675	\$ -
Accounts payable	2,338,495	530,699	2,869,194	36,214
Accrued liabilities	976,380	168,000	1,144,380	109,502
Due to other governments	-	44,076	44,076	-
Deferred revenues	149,000	-	149,000	-
Due to other funds (Note 6)	-	420,166	420,166	-
Total Current Liabilities	3,463,875	1,321,616	4,785,491	145,716
Current Liabilities Payable from Restricted Assets	6,494,388	-	6,494,388	-
Deferred Revenues	181,541	-	181,541	-
Long-Term Debt, less current maturities (Note 5)	47,865,066	874,915	48,739,981	-
Total Liabilities	58,004,870	2,196,531	60,201,401	145,716
Net Assets				
Invested in capital assets, net of related debt	-	17,082,402	17,082,402	1,524,243
Restricted	5,815,887	-	5,815,887	-
Unrestricted	13,652,853	1,853,537	15,506,390	2,886,997
Total Net Assets	\$19,468,740	\$ 18,935,939	\$ 38,404,679	\$4,411,240

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

<i>Year ended June 30, 2008</i>	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Governmental Activities
				Internal Service Funds
Operating Revenue				
Charges for services	\$34,872,669	\$ 3,456,768	\$ 38,329,437	\$3,707,899
Miscellaneous operating revenues	-	105,966	105,966	-
Total Operating Revenue	34,872,669	3,562,734	38,435,403	3,707,899
Operating Expenses				
Operations and maintenance	18,811,653	3,437,336	22,248,989	3,636,470
Distribution	1,519,230	301,339	1,820,569	-
Customer accounts	533,174	-	533,174	-
Administrative and general	1,608,545	853,567	2,462,112	-
Depreciation	3,805,807	615,389	4,421,196	227,511
Statutory charge	1,353,574	-	1,353,574	-
Total Operating Expenses	27,631,983	5,207,631	32,839,614	3,863,981
Operating Income (Loss)	7,240,686	(1,644,897)	5,595,789	(156,082)

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Revenue, Expenses and Changes in Fund Net Assets

		Other		Governmental
	Board of	Non-Major		Activities
	Light and	Proprietary		Internal
<i>Year ended June 30, 2008</i>	Power	Funds	Total	Service
				Funds
Non-Operating Income				
(Expense) - Net				
Interest earned on investments				
Operating fund	\$ 547,917	\$ 63,904	\$ 611,821	\$ 92,549
Debt service reserve	148,272	-	148,272	-
Operating grants	-	1,432,356	1,432,356	-
Amortization of debt premium				
and issue costs	308,448	-	308,448	-
Interest expense				
Bond	(3,790,232)	(60,684)	(3,850,916)	-
Deposits	(4,855)	-	(4,855)	-
Gain on sale of capital assets	900	-	900	-
SO2 allowances	158,025	-	158,025	-
Miscellaneous	26,290	106,387	132,677	40,079
Total Non-Operating Income				
(Expenses) - Net	(2,605,235)	1,541,963	(1,063,272)	132,628
Income (Loss) Before Transfers				
and Contributions	4,635,451	(102,934)	4,532,517	(23,454)
Transfers in	-	974,932	974,932	-
Capital contributions	362,839	-	362,839	-
Total Transfers and Contributions	362,839	974,932	1,337,771	-
Change in Net Assets	4,998,290	871,998	5,870,288	(23,454)
Net Assets – Beginning of year	14,470,450	18,063,941	32,534,391	4,434,694
Net Assets – End of year	\$19,468,740	\$ 18,935,939	\$ 38,404,679	\$4,411,240

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Cash Flows

				Governmental Activities
	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Internal Service Funds
<i>Year ended June 30, 2008</i>				
Cash Flows from Operating Activities				
Receipts from customers and users	\$35,658,108	\$ 3,554,636	\$ 39,212,744	\$3,833,842
Receipts from interfund services provided	-	270,716	270,716	-
Payments to suppliers	(18,538,329)	(2,901,119)	(21,439,448)	(1,207,337)
Payments to employees	(3,843,087)	(1,571,007)	(5,414,094)	(148,456)
Claims paid	-	-	-	(2,373,870)
Payments for interfund services used	-	(78,688)	(78,688)	-
Net cash provided by (used for) operating activities	13,276,692	(725,462)	12,551,230	104,179
Cash Flows from Non-Capital Financing Activities				
Proceeds from operating grants	-	884,977	884,977	-
Transfers in (out)	-	474,932	474,932	-
Net cash provided by non-capital financing activities	-	1,359,909	1,359,909	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from capital grants	-	23,638	23,638	-
Principal and interest paid on long-term debt	(7,513,629)	(211,610)	(7,725,239)	-
Purchase of capital assets	(2,867,599)	(1,891,626)	(4,759,225)	(133,991)
Transfers in	-	500,000	500,000	-
Capital contributions	362,839	-	362,839	-
Other income	184,315	-	184,315	-
Proceeds from sale of capital assets	900	-	900	-
Net cash used for capital and related financing activities	(9,833,174)	(1,579,598)	(11,412,772)	(133,991)

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Cash Flows

				Governmental Activities
	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Internal Service Funds
<i>Year ended June 30, 2008</i>				
Cash Flows from Investing Activities				
Interest received on investments	\$ 523,337	\$ 63,904	\$ 587,241	\$ 92,549
Purchase of investment securities	(12,288,440)	-	(12,288,440)	-
Proceeds from sale and maturities of investment securities	12,323,000	-	12,323,000	-
Net cash provided by investing activities	557,897	63,904	621,801	92,549
Net Increase (Decrease) in Cash and Investments	4,001,415	(881,247)	3,120,168	62,737
Cash and Investments - Beginning of year	17,289,980	1,930,002	19,219,982	2,693,688
Cash and Investments - End of year	\$21,291,395	\$ 1,048,755	\$ 22,340,150	\$2,756,425
Balance Sheet Classification of Cash and Investments				
Cash and investments	\$12,992,995	\$ 1,048,755	\$ 14,041,750	\$2,756,425
Restricted assets (Note 1)	8,298,400	-	8,298,400	-
Total	\$21,291,395	\$ 1,048,755	\$ 22,340,150	\$2,756,425

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Cash Flows

				Governmental Activities
	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Internal Service Funds
<i>Year ended June 30, 2008</i>				
Reconciliation of Operating Income				
(Loss) to Net Cash Provided by				
(Used for) Operating Activities				
Operating income (loss)	\$ 7,240,686	\$ (1,644,897)	\$ 5,595,789	\$ (156,082)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	3,805,807	615,389	4,421,196	227,511
Bad debt expense	19,025	-	19,025	-
Miscellaneous income (expense)	-	106,387	106,387	40,079
Changes in assets and liabilities				
Accounts receivable	766,414	(96,503)	669,911	84,724
Due from other funds		(78,688)	(78,688)	
Due from other governments	-	(18,582)	(18,582)	1,140
Inventory	2,208,583	(5,955)	2,202,628	(2,907)
Prepaid items and other current assets	(40,574)	(914)	(41,488)	(12,664)
Accounts payable	(542,644)	167,030	(375,614)	(9,277)
Accrued compensation	33,969	-	33,969	-
Other accrued liabilities	(67,861)	(46,797)	(114,658)	(65,144)
Due to other funds	-	192,028	192,028	-
Due to other governments	-	7,352	7,352	(3,201)
Deferred revenue	(146,713)	78,688	(68,025)	-
Net Cash Provided by (Used for)				
Operating Activities	\$13,276,692	\$ (725,462)	\$ 12,551,230	\$ 104,179

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Fiduciary Funds

Statement of Fiduciary Net Assets

<i>June 30, 2008</i>	Retiree Health Care	Agency Funds
Assets		
Cash and investments	\$ 571,170	\$ 369,985
Accounts receivable	9,397	30,646
Due from other governments	-	3,400
	\$ 580,567	\$ 404,031
Liabilities		
Accounts payable	\$ -	\$ 175,819
Due to other funds	-	20,000
Trust deposits	-	208,212
	-	\$ 404,031
Net Assets		
Held in trust for retiree health	\$ 580,567	

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2008		Retiree Health Care
Additions		
Health insurance fees		\$ 274,256
Interest income		22,349
Total Additions		296,605
Deductions		
Insurance payments		248,276
Change in Net Assets		48,329
Net Assets – Beginning of Year		532,238
Net Assets – End of Year		\$ 580,567

The accompanying notes are an integral part of this statement.

<i>June 30, 2008</i>	Economic Development Corporation	Main Street Downtown Development Authority
Assets		
Current Assets		
Cash and investments	\$ 535,457	\$ 646,665
Due from other governments	-	-
Restricted assets	-	-
Total Current Assets	535,457	646,665
Non-Current Assets		
Capital assets, net	-	2,593,714
Bond issue costs, net	-	51,918
Total Non-Current Assets	-	2,645,632
Total Assets	535,457	3,292,297
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accounts payable	\$ 1,303	\$ 139,440
Accrued liabilities	-	34,862
Long-term debt due within one year	-	-
Total Current Liabilities	1,303	174,302
Non-Current Liabilities		
Long-term debt	-	3,320,776
Total Liabilities	1,303	3,495,078
Net Assets (Deficit)		
Invested in capital assets, net of related debt	-	(582,688)
Restricted for debt service	-	-
Unrestricted	534,154	379,907
Total Net Assets (Deficit)	\$ 534,154	\$ (202,781)

City of Grand Haven, Michigan

Components Units

Statement of Net Assets (Deficit)

Brownfield Redevelopment Authority		Total
\$ 7,255,883		\$ 8,438,005
113,490		113,490
125,000		125,000
7,494,373		8,676,495
8,443,372		11,037,086
166,624		218,542
8,609,996		11,255,628
16,104,369		19,932,123
\$ 138,469		\$ 279,212
107,256		142,118
50,000		50,000
295,725		471,330
16,671,579		19,992,355
16,967,304		20,463,685
(1,915,522)		(2,498,210)
125,000		125,000
927,587		1,841,648
\$ (862,935)		\$ (531,562)

The accompanying notes are an integral part of this statement.

		Program	
<i>Year ended June 30, 2008</i>	Expenses	Charges for services	Operating Grants and Contributions
Component Units			
Economic Development Corporation			
General government	\$ 3,068	\$ -	\$ -
Main Street Downtown Development Authority			
General government	216,832	17,018	20,000
Depreciation expense	944	-	-
Amortization of bond issue costs	2,845	-	-
Interest on long-term debt	117,782	-	-
Total Main Street Downtown Development Authority	338,403	17,018	20,000
Brownfield Redevelopment Authority			
General government	278,226	-	1,765
Depreciation expense	22,165	-	-
Amortization of bond issue costs	12,575	-	-
Interest on long-term debt	274,721	-	-
Total Brownfield Redevelopment Authority	587,687	-	1,765
Total Component Units	\$ 929,158	\$ 17,018	\$ 21,765
General Revenues, Special Items and Transfers			
Taxes			
Interest income			
Miscellaneous			
Total General Revenues, Special Items and Transfers			
Change in Net Assets (Deficit)			
Net Assets (Deficit), beginning of year			
Net Assets (Deficit), end of year			

City of Grand Haven, Michigan

Components Units

Statement of Activities

Revenues		Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Total	Economic Development Corporation	Main Street Downtown Development Authority	Brownfield Redevelopment Authority	Total	
\$ -	\$ -	\$ (3,068)	\$ -	\$ -	\$ (3,068)	
-	37,018	-	(179,814)	-	(179,814)	
-	-	-	(944)	-	(944)	
-	-	-	(2,845)	-	(2,845)	
-	-	-	(117,782)	-	(117,782)	
-	37,018	-	(301,385)	-	(301,385)	
166,738	168,503	-	-	(109,723)	(109,723)	
-	-	-	-	(22,165)	(22,165)	
-	-	-	-	(12,575)	(12,575)	
-	-	-	-	(274,721)	(274,721)	
166,738	168,503	-	-	(419,184)	(419,184)	
\$ 166,738	\$ 205,521	(3,068)	(301,385)	(419,184)	(723,637)	
		\$ -	\$ 367,006	\$ 172,740	\$ 539,746	
		20,972	11,286	523	32,781	
		20,605	17,735	-	38,340	
		41,577	396,027	173,263	610,867	
		38,509	94,642	(245,921)	(112,770)	
		495,645	(297,423)	(617,014)	(418,792)	
		\$ 534,154	\$ (202,781)	\$ (862,935)	\$ (531,562)	

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the City of Grand Haven, Michigan have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The City of Grand Haven, established in 1854, was incorporated in 1867 under the provisions of the Home Rule Act of the State of Michigan. The City operates under a Council-Manager form of government. The City of Grand Haven provides the following services as authorized by its charter or state law: General Administrative Services, Public Safety, Highway and Street Maintenance, Culture, Recreation and Other Governmental Functions. The accounting policies of the City of Grand Haven conform to generally accepted accounting principles as applicable to cities. As required by generally accepted accounting principles, Governmental Accounting Standards Board (GASB) 14, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Component Units – In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units. Blended and discretely presented component units have a June 30th year end.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Blended component units – Although legally separate entities, blended component units are, in substance, part of the government's operations. As a result, the assets, liabilities, revenues and expenses of the blended component units are combined with those of the primary government.

The City of Grand Haven Building Authority was established on April 12, 1993 under State Law (Act 31 of 1948, as amended) to effect improvements within the City. The Building Authority is a blended component unit as its relationship with the City permeates the financial operations of the City. Further, the Building Authority's powers are significantly restricted by State Law and local statute. \$335,000 in Building Authority Bonds issued in 1993 were used to facilitate reconstruction of downtown facilities (parking lots) and have been paid in full. During the fiscal year ended June 30, 2005, the Building Authority was requested to issue bonds for expansion and renovation of the City's Community Center. As funds were not needed until the fall of 2006, the Building Authority issued \$2,830,000 in bonds in August 2006. The Building Authority's governing body is selected by City Council and currently includes the City Manager, the City Clerk and the Finance Director.

Discretely presented component units – The Component Units column in the combined financial statements includes the financial data of the City's other component units. These units are reported in a separate column to emphasize that they are legally separate from the City.

The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of 10 individuals, is selected by the City Council.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

The Main Street Downtown Development Authority (MSDDA) operates to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 10 individuals, is selected by the City Council.

Recommended in December 2004, the City Council adopted the MSDDA's Tax Increment Financing (TIF) and Development Plan which set forth guidelines for downtown public improvements. In January 2006, the City issued \$3,345,000 in Downtown TIF bonds for the first project series, being improvements to parking lots on Franklin Street between Harbor Avenue and Third Street. With the introduction of this project, three additional funds were established under the oversight of the MSDDA to manage the inflow of bond funds and future tax increments as well as spending on project construction and future debt service.

The Brownfield Redevelopment Authority was created to account for the redevelopment of environmentally contaminated and other underutilized sites within the City. The Authority's governing body, which consists of 10 individuals, is selected by the City Council.

The Brownfield Redevelopment Authority continued financing an infrastructure reconstruction project in conjunction with razing the Grand Haven Brass Foundry and construction of the Grand Haven Boat Storage facility. Public infrastructure reconstruction costs were paid by a \$710,000 Brownfield Tax Increment Financing Bond issued March 31, 2005. Project construction was completed in fiscal year 2005-06. Payments of principal and interest on the bond from tax revenue began in October 2005 and continue in future fiscal years. The Brownfield Redevelopment Authority created three funds, including a special revenue fund to account for tax and interest revenue, a debt service fund to account for principal and interest payments and a capital projects fund to account for construction costs.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

The Brownfield Redevelopment Authority began an infrastructure reconstruction project in the prior year in conjunction with the sale of City-owned property to Grand Landing, LLC, on the City's north end. Public infrastructure reconstruction is anticipated to continue over the next two years and is supported by a \$15,095,000 Brownfield Tax Increment Financing Bond issued October 10, 2006. Payments of principal and interest on the bond from tax revenue began in May 2007 and continue in future fiscal years. The Brownfield Redevelopment Authority created three funds to account for project and debt service costs including a special revenue fund to account for tax and interest revenue, a debt service fund to account for principal and interest payments and a capital projects fund to account for construction costs.

The Brownfield Redevelopment Authority maintains a single special revenue fund to consider future Brownfield projects within the City. This fund receives transfers from the Economic Development Corporation (EDC) to cover its costs. As new projects are considered, the EDC may be reimbursed for costs leading up to new projects, however, no guarantee of reimbursement is noted. If no project is forthcoming from certain costs, the EDC is not anticipated to be reimbursed.

In total, the Brownfield Redevelopment Authority is responsible for seven component unit funds. City administration remains the fiscal agent for all of these funds.

Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

A fund is a separate accounting entity with a self-balancing set of accounts. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Fund-based statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund – The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

Public Improvement Fund – This Fund accounts for the construction of capital facilities to be used in governmental fund type operations. Financing is provided by contributions from the General Fund and grants from public and private sources.

2008 UTGO Infrastructure Bond Fund – The City of Grand Haven issued \$9,400,000 in Unlimited Tax General Obligation bonds in June 2008. The 2008 UTGO Infrastructure Bond Fund manages and accounts for these funds. Likewise, a 2008 UTGO Infrastructure Debt Fund was created, but there was no activity in it during the reported fiscal year.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

After June 30, 2008, the City established a 2008 UTGO Infrastructure Special Revenue Fund to utilize an accounting structure similar to the Downtown TIF and Brownfield TIF funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary fund:

Board of Light and Power – This Fund accounts for the operation, maintenance, capital additions and retirement of revenue bonds of the electric supply system. Financing is provided by user charges from the sale of electricity.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

At June 30, 2008, the City's Main Street Downtown Development Authority in the component units had a fund deficit of \$202,781, and the City's Brownfield Redevelopment Authority in the component units had a fund deficit of \$862,935. The City plans to eliminate the deficits through tax revenues in future years which will be used to pay long-term debt of the units.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchases of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments.

Cash equivalents are short-term, highly liquid investments that have the following characteristics:

- Investments that are readily convertible to known amounts of cash
- Investments that mature in such a short period of time that their values are effectively immune from changes in interest rates
- Original maturity of three months or less

Investments are stated at fair value. The City maintains a pooled investment fund to account for all investments of the various City funds. Investments within this pooled investment fund are shown on the balance sheets of each individual fund as cash and investments.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property Taxes

Property taxes attach as enforceable liens on property as of December 31st. Taxes are levied on July 1st of the following year and are payable from the date of levy through September 15th without penalty and until March 1st of the following year with penalty. Taxes are recognized as revenue (and become available for appropriation) in the fiscal year following the levy date (July 1st).

The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of all the taxes and remittance of them to the other taxing authorities are accounted for in a tax collection Agency Fund. The City is permitted by charter or state law without voter approval to levy taxes up to \$15.00 per \$1,000 of state equalized valuation for general governmental purposes and the amount required to service the General Obligation Debt. The tax rate to finance City services including transportation for the year ended June 30, 2008 was \$10.91 per \$1,000 of taxable valuation.

Inventories

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the governmental funds consists of expendable supplies which are recorded as an expenditure at the time individual inventory items are purchased.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items. These prepaid items are primarily insurance premiums and fiscal year 2008 memberships invoiced prior to July 1, 2008. The City follows the consumption method of accounting in reporting these items and, therefore, no offset by a fund balance reserve is required.

Restricted Assets

Restricted assets consist of the following:

June 30, 2008

Bond and interest redemption account:	
Cash and investments	\$ 6,494,369
Debt service reserve account:	
Cash and investments	110
United States Treasury bills and notes	3,974,888
Construction account –	
Cash and investments	1,803,921
Interest receivable	36,987
<hr/>	
Total revenue bond restricted assets	12,310,275
Less current liabilities payable from restricted assets:	
Debt principal payable	5,045,000
Accrued interest payable	1,449,388
<hr/>	
Total current liabilities payable from restricted assets	6,494,388
<hr/>	
Total Net Restricted Assets	\$ 5,815,887

These assets are restricted pursuant to the Revenue Resolution for revenue bond debt service and for surplus fund transfers to meet the required debt service coverage ratio. Net assets are restricted for the purpose noted above.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Assets of the Brownfield Redevelopment Authority are also restricted for the payment of interest on long-term debt. Net assets are restricted for this purpose.

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, infrastructure and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-100 years
Vehicles	4-8 years
Furniture and other equipment	10-30 years
Infrastructure	50 years

Compensated Absences

The liability for compensated absences reported in the statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Equity and Other Credits

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Portions of equity are segregated for future uses, and are, therefore, not considered available for future appropriation or expenditure. Amounts reserved represent portions of fund balance/retained earnings either not appropriable for expenditure or which are legally segregated for a specific future use. Designations of unreserved fund equity in governmental funds indicate City management's tentative plans for use of financial resources in a future period.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Comparative Data

Comparative total data for the prior year has not been presented in the accompanying financial statements.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. Legal Compliance - Budgets

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

The budget has been prepared in accordance with generally accepted accounting principles, except that transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”

The budget statement (combined statement of revenues, expenditures, and changes in fund balances – budget and actual – General, Special Revenue, and Debt Service Fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a fund total basis, except for the General Fund which has been adopted on a departmental basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The budget statement presented for the General Fund in the financial statements is more detailed than the budget as adopted by the City Council. A comparison of the budget for each individual Special Revenue Fund and Debt Service Fund is available at City Hall.

3. Deposits and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. At June 30, 2008, \$42,172,208 of the City’s bank balances of \$42,572,208 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized:	<u>\$42,172,208</u>
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City of Grand Haven, Michigan

Notes to Basic Financial Statements

Investments

At June 30, 2008, the City had the following investments:

Investment	Maturity	Fair Value
Certificates of deposit		
Huntington National Bank	7/2/2008	\$ 506,421
Huntington National Bank	7/16/2008	300,000
Flagstar Bank	8/25/2008	1,388,898
Grand Haven Bank	12/3/2008	346,447
Flagstar Bank	12/10/2008	1,000,000
U.S. Treasury Bill	7/10/2008	2,043,244
U.S. Treasury Bill	10/23/2008	1,931,644
		\$ 7,516,654

Interest Rate Risk

The City's investment policy does not limit investment securities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty or bank, the City will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments were held in the name of the City.

Credit Risk

State statutes authorize the City to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by an state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments. The City's investment policy does not further limit its investment choices from state statutes.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Concentration of Credit Risk

The City's investment policy places no limit on the amount the City may invest in any one issuer.

Component Units

At June 30, 2008 \$8,463,004 of the City's component units' bank balances of \$8,563,004 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized:	<u>\$8,463,004</u>
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4. Capital Assets

Capital asset activity of the City's governmental activities was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Primary Government				
Governmental Activities				
Capital assets, not depreciable:				
Land and land improvements	\$ 8,716,688	\$ 8,342	\$ -	\$ 8,725,030
Capital assets being depreciated:				
Structures and improvements	10,594,214	349,390	-	10,943,604
Machinery, equipment, vehicles and fixtures	9,328,877	802,000	54,295	10,076,582
Waterfront development	891,765	-	-	891,765
Parking facilities	213,270	-	-	213,270
Recreation development	1,524,225	-	-	1,524,225
Infrastructure	16,776,290	1,462,646	-	18,238,936
Total assets being depreciated	39,328,641	2,614,036	54,295	41,888,382
Less accumulated depreciation for:				
Structures and improvements	(2,533,624)	(215,378)	-	(2,749,002)
Machinery, equipment, vehicles and fixtures	(4,085,403)	(646,849)	(54,295)	(4,677,957)
Waterfront development	(388,071)	(17,835)	-	(405,906)
Parking facilities	(201,682)	(4,265)	-	(205,947)
Recreation development	(611,375)	(30,485)	-	(641,860)
Infrastructure	(3,072,138)	(350,152)	-	(3,422,290)
Total accumulated depreciation	(10,892,293)	(1,264,964)	(54,295)	(12,102,962)
Total capital assets being depreciated, net	28,436,348	1,349,072	-	29,785,420
Governmental activities - capital assets, net	\$ 37,153,036	\$ 1,357,414	\$ -	\$ 38,510,450

City of Grand Haven, Michigan

Notes to Basic Financial Statements

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Business-type Activities				
Capital assets, not depreciable:				
Land and land improvements	\$ 318,583	\$ -	\$ -	\$ 318,583
Construction in progress	2,461,062	2,867,599	3,880,510	1,448,151
Total capital assets, not depreciable	2,779,645	2,867,599	3,880,510	1,766,734
Capital assets being depreciated:				
Structures and improvements	8,077,816	862,220	-	8,940,036
Machinery, equipment, vehicles and fixtures	1,982,375	84,619	-	2,066,994
Production and treatment systems	97,729,781	946,840	(7,988)	98,684,609
Transmission and distribution systems	42,014,628	3,862,574	25,650	45,851,552
General plant	1,380,219	15,883	-	1,396,102
Total assets being depreciated	151,184,819	5,772,136	17,662	156,939,293
Less accumulated depreciation for:				
Structures and improvements	(2,634,463)	(280,969)	-	(2,915,432)
Machinery, equipment, vehicles and fixtures	(1,553,051)	(192,904)	-	(1,745,955)
Production and treatment systems	(67,323,699)	(2,890,885)	6,496	(70,221,080)
Transmission and distribution systems	(17,926,414)	(1,010,468)	(24,158)	(18,912,724)
General plant	(1,148,936)	(45,970)	-	(1,194,906)
Total accumulated depreciation	(90,586,563)	(4,421,196)	(17,662)	(94,990,097)
Total capital assets being depreciated, net	60,598,256	1,350,940	-	61,949,196
Business-type activities - capital assets, net	\$ 63,377,901	\$ 4,218,539	\$ 3,880,510	\$ 63,715,930

City of Grand Haven, Michigan

Notes to Basic Financial Statements

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Component Units				
Capital assets, not depreciable:				
Construction in progress	\$ 6,481,911	\$ 3,956,724	\$ -	\$ 10,438,635
Capital assets being depreciated:				
Structures and improvements	664,946	-	-	664,946
Machinery, equipment, vehicles and fixtures	2,832	-	-	2,832
Total assets being depreciated	667,778	-	-	667,778
Less accumulated depreciation for:				
Structures and improvements	(44,330)	(22,165)	-	(66,495)
Machinery, equipment, vehicles and fixtures	(1,888)	(944)	-	(2,832)
Total accumulated depreciation	(46,218)	(23,109)	-	(69,327)
Total capital assets being depreciated, net	621,560	(23,109)	-	598,451
Component units - capital assets, net	\$ 7,103,471	\$ 3,933,615	\$ -	\$ 11,037,086

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 218,759
Public safety	416,632
Public works	576,692
Culture and recreation	52,881

Total Depreciation Expense - Governmental Activities \$ 1,264,964

Business type activities:

Board of Light and Power	\$ 3,805,807
Other Non-Major Proprietary funds	615,389

Total Depreciation Expense - Business-type Activities \$ 4,421,196

Component units:

Main Street Downtown Development Authority	\$ 944
Brownfield Redevelopment Authority	22,165

Total Depreciation Expense - Component units \$ 23,109

City of Grand Haven, Michigan

Notes to Basic Financial Statements

5. Long-Term Debt

The following is a summary of the long-term debt outstanding of the City as of June 30, 2008:

Governmental Activities	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due within one year
Bonds Payable					
2006 Building Authority Bonds maturing through August 2014, interest at 4.0%	\$ 2,830,000	\$ -	\$ (240,000)	\$ 2,590,000	\$ 290,000
Special Assessment Bond Fund – 1996 Municipal Purchase Agreement, Series B with a maturity date of September 1, 2015, interest ranging from 5.1% - 7.0%	65,000	-	(5,000)	60,000	5,000
2008 Unlimited Tax General Obligation Bonds, payable in annual installments of \$185,000 to \$890,000, with a maturity date of April 1, 2028, interest ranging from 3.0% - 4.125%	-	9,400,000	-	9,400,000	250,000
Plus deferred amounts:					
For issuance premiums	24,096	11,471	(11,744)	23,823	-
Total Bonds Payable	2,919,096	9,411,471	(256,744)	12,073,823	545,000
Property loans payable in installments of \$375,521 commencing in 2004 including interest at 2.64%. Final payment due May 2009	987,861	-	(277,224)	710,637	710,637
Accumulated compensated absences	723,469	-	(4,370)	719,099	-
Total Governmental Activities					
Long-Term Debt	\$ 4,630,426	\$ 9,411,471	\$ (538,338)	\$ 13,503,559	\$ 1,255,637

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due within one year
Bonds Payable					
1993 Electric Revenue Refunding Bonds, maturing through 2008, with interest at 5.25% (net of discount, loss on refunding and portion payable from restricted assets)	\$ 9,412,264	\$ -	\$ (4,547,264)	\$ 4,865,000	\$ 4,865,000
2003 Electric Revenue Refunding Bonds, maturing through 2016, interest ranging from 5.0% to 5.5% (net of premium and loss on refunding)	45,123,048	465,015	-	45,588,063	-
2007 Electric Revenue Bonds, maturing through 2016, with interest ranging from 4.0% to 5% (net of premium)	2,469,232	-	(12,229)	2,457,003	180,000
1990 Special Assessment Limited Tax Bonds maturing through October 2009, with interest at 7.0%	30,000	-	(10,000)	20,000	10,000
1990 N.O.W.S.G.O. Contract, to support bonds that were refinanced in 1998, maturing through 2010 with interest ranging from 4.55% to 4.7%	45,741	-	(11,731)	34,010	11,495
1996 Municipal Purchase Agreement, refinanced in 2002, maturing in 2010 with an interest rate of 4.29%	81,500	-	(19,000)	62,500	23,000
1990 Municipal Purchase Agreement, refinanced in 2002, maturing in 2010 with an interest rate of 4.29%	148,400	-	(17,500)	130,900	19,250
2005 Property Loan Payable, maturing through October 2014, with interest at 5.56%	876,110	-	(89,930)	786,180	94,930
Total Business Type Activities					
Long-Term Debt	\$ 58,186,295	\$ 465,015	\$ (4,707,654)	\$ 53,943,656	\$ 5,203,675
Total all Long-Term Liabilities	\$ 62,816,721	\$ 9,876,486	\$ (5,245,992)	\$ 67,447,215	\$ 6,459,312

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Component Units	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due within one year
Bonds Payable					
2005 Tax Increment bonds, maturing through 2018, with interest at 3.69%	\$ 635,000	\$ -	\$ (45,000)	\$ 590,000	\$ 50,000
2006 Tax Increment bonds, maturing through 2027, with interest ranging from 3.50% - 4.375%	3,345,000	-	-	3,345,000	-
2006 Brownfield Redevelopment bonds, maturing through 2027, with interest from 4.0% - 4.2%	15,095,000	-	-	15,095,000	-
Less deferred amounts:					
For issuance premiums	40,812	-	(4,233)	36,579	-
For issuance discounts	(26,016)	-	1,792	(24,224)	-
Total Bonds Payable	19,089,796	-	(47,441)	19,042,355	50,000
Brownfield Redevelopment loan payable in annual installments of \$100,174 beginning May 2011, including interest at 2.0%. Final payment due May 2021	1,000,000	-	-	1,000,000	-
Total Component Units					
Long-Term Debt	\$20,089,796	\$ -	\$ (47,441)	\$20,042,355	\$ 50,000

Annual debt service requirements to maturity for debt outstanding as of June 30, 2008 follows:

	Governmental Activities		Business Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,255,637	\$ 407,112	\$ 5,203,675	\$ 2,822,608	\$ 50,000	\$ 771,266
2010	505,000	447,388	5,286,182	2,555,797	525,000	759,921
2011	565,000	428,222	5,586,067	2,285,607	935,174	733,083
2012	595,000	406,915	5,856,907	1,994,879	1,097,178	714,551
2013	670,000	383,752	6,185,413	1,679,214	1,288,821	668,877
2014-2018	2,625,000	1,571,896	28,030,346	3,180,220	6,909,935	2,577,303
2019-2023	2,660,000	1,124,150	-	-	7,723,892	1,022,000
2024-2028	3,885,000	497,912	-	-	1,500,000	136,094
	\$12,760,637	\$ 5,267,347	\$56,148,590	\$ 14,518,325	\$20,030,000	\$ 7,383,095

City of Grand Haven, Michigan

Notes to Basic Financial Statements

- 6. Interfund Balances and Transfers** The composition of interfund balances, caused by normal operations, is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 327,485	Harbor Transit	\$ 296,605
		Payroll	20,000
		2008 UTGO Infrastructure Bond	10,880
Public Improvement	44,873	Marina	44,873
Municipal Water	78,688	Municipal Sewage Treatment	78,688
	\$451,046		\$451,046

Transfers during the fiscal year were as follows:

Fund	Transfer in	Transfer out	Purpose
General Fund	\$ 38,249	\$ 2,686,683	Operations, capital projects, debt service
Public Improvement	1,705,210	1,113,037	Debt service, capital projects
Major Street and Trunkline	353,910	100,000	Operations
Local Street	263,910	-	Operations
Building Authority Bonds	348,721	-	Debt service
Non-voted General Debt	303,037	-	Debt service
Land Acquisition	-	100,000	Debt service
Fire Truck	50,000	-	Operations
Building Authority	348,721	348,721	Debt service
Cemetery Care	-	38,249	Operations
Harbor Transit	329,877	-	Operations
Airport	-	4,945	Operations
Municipal Sewage Treatment	50,000	-	Operations
Marina	500,000	-	Capital projects
Chinook Pier	100,000	-	Debt service
	\$ 4,391,635	\$ 4,391,635	

City of Grand Haven, Michigan

Notes to Basic Financial Statements

- 7. Risk Management** The City purchases insurance and participates in public entity risk pools for the various risks associated with City operations. Significant risk management activities of the City are accounted for and disclosed below as required by GASB 10.

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains its liability insurance coverage from Selective Insurance. The City pays an annual premium to Selective Insurance for liability insurance coverage. Selective Insurance is self-sustaining through member premiums and provides, subject to certain deductibles, occurrences based coverage by internally insuring certain risks and reinsuring risks through commercial companies. A \$1,000 deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City manages its workers' compensation risk by participating in the Michigan Municipal League Workers' Compensation Fund (MMLWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMLWCF for its workers compensation coverage. The MMLWCF is self-sustaining through member premiums and provides statutory workers compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

During fiscal year 2004, the Board of Light and Power entered into the Michigan Professional Insurance Authority (Authority) to account for and finance its uninsured risks of loss. Under this program, the Authority provides for coverage for up to a maximum of \$100,000 for each general liability claim and \$250,000 for each property damage claim. The Board purchases commercial insurance for claims in excess of coverage provided by the Authority for all other risks of loss. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

All participants in the Authority make payments to the Authority based on experience estimates of the amounts needed to pay prior and current year claims.

	Beginning of Year Liability	Current Year Premium Equivalent Costs	Premium Equivalent Payments	Balance at Year End
2008	\$ -	\$ 902,500	\$ 902,500	\$ -
2007	-	902,500	902,500	-

8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

9. Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") issued its Statement 45 - "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." Other post-employment benefits ("OPEB") include post-employment healthcare insurance as well as other forms of post-employment benefits (for example, life insurance) when provided separately from a pension plan. GASB Statement 45 establishes standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement is applicable for the City for its fiscal year beginning July 1, 2008.

The City currently provides health care benefits to retirees in accordance with the pension ordinance. Currently, 53 retirees are eligible. For retirees below age 65, the City pays 75 percent to 80 percent of the annual premium (depending on the bargaining unit) and the retiree pays the balance. For retirees age 65 and older, the City pays 10 percent of the annual premium (depending on the bargaining unit) and the retiree pays the balance. Retirees are required to purchase and pay for Medicare supplemental insurance when they become eligible. Expenditures for post-employment health care benefits are recognized annually as the insurance premiums become due. These benefits were paid from the Retiree Health Care Fund (which is funded by all operating funds) and approximated \$248,000 during the year ended June 30, 2008.

The City completed its first actuarial valuation of OPEB as of December 31, 2005. The unfunded actuarial accrued liability attributable to service accrued by plan members as of December 31, 2005 was \$7,598,790. As of December 31, 2005, there were assets totaling \$459,013 available to offset the liabilities of the plan. The City is currently updating the actuarial valuation of OPEB for its fiscal year beginning July 1, 2008.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

10. Pension Plan

Plan Description

The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units. For the year ended June 30, 2008, the City continued a policy to contribute 2 percent of gross salaries to MERS in all divisions which are funded 110 percent or over. Further, the City required all employees to contribute 2 percent of gross salaries if their MERS division was funded 110 percent or over. For divisions which are under 110 percent funded, the City and the employees will split the required contribution to maintain or return to funding levels of 110 percent or over at which point the 2 percent contributions by employer and employee would automatically be reinstated. Determination of the funding level is based on the annual actuarial report. For the year ended June 30, 2008, the City's annual pension cost of \$622,259 for the plan was equal to the City's required and actual contributions.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Three-Year Trend Information

	Fiscal Year Ended June 30,		
	2006	2007	2008
Annual pension cost (APC) \$	- \$	309,882 \$	622,259 \$
Percentage of APC			
contributed	100%	100%	100%
Net pension obligation	None	None	None

The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) projected merit and longevity salary increases ranging from 0 percent to 8.4 percent. The actuarial value of assets was determined using techniques that smooth the effects of any given year's variation from an 8 percent return over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. At December 31, 2007, The remaining amortization period was 28 years.

Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was 106 percent funded. The actuarial accrued liability for benefits was \$62,249,672, and the actuarial value of assets was \$66,136,443, resulting in a funding excess of \$3,886,771. The covered payroll (annual payroll of active employees covered by the plan) was \$9,930,390, and the ratio of the funding excess to the covered payroll was 39 percent.

The schedule of funding progress, presented as Required Supplemental Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

- | | |
|---|--|
| 11. Component Unit Financial Information | Condensed financial statements for each of the discretely presented component units are included in the government wide financial statements. Complete financial statements of the individual component units can be obtained from their respective administrative offices at 519 Washington, Grand Haven, MI 49417. |
| 12. Joint Ventures | The City is a member of the Grand Haven – Spring Lake Sewer Authority (the “Authority”). The City can appoint two members to the joint venture’s governing board, which then approves the annual budget. In the current year, the City incurred expenses totaling \$715,080 to the Authority for sewage treatment. The purpose of the Grand Haven-Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven, Village of Spring Lake, and County of Ottawa) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority’s debt. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall. |

City of Grand Haven, Michigan

Notes to Basic Financial Statements

The City is also a member of the Northwest Ottawa Water Treatment Plant. The City appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the City incurred expenses totaling \$674,129 to the plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate, and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake, and County of Ottawa). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement, and debt service. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street).

The Board of Light and Power entered into a joint venture, the Michigan Public Power Agency (MPPA), with 13 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation, and maintenance of projects to supply electric power and energy for present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing, Michigan 48917.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

The MPPA operates various projects. The Board participates in the power pool project and the transmission project. During 2008, the Board had sales of \$7,525,960 to the MPPA and had purchases of \$1,252,682 from the MPPA. At June 30, 2008, the MPPA owed the Board \$1,085,421.

13. Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or deficit generated since January 1, 2000 is as follows:

Surplus at July 1, 2007		\$ 123,620
Current year building permit revenue		351,340
Related expenses:		
Direct costs	267,626	
Estimated indirect costs	<u>39,514</u>	
Total construction code expenses		<u>307,140</u>
Cumulative Surplus at June 30, 2008		\$ 167,820

14. Commitments

During 2008 and 2007, the Board of Light and Power entered into various coal purchase agreements to purchase 353,500 tons of coal at fixed prices ending on various dates through December 31, 2009. At June 30, 2008, approximately 215,000 tons of coal had been purchased under these agreements.

The City is a plaintiff in an ongoing lawsuit. Legal fees for the entire trial have been estimated to be \$975,000. The City is responsible for approximately \$250,000 of these estimated fees. Legal expenses related to the lawsuit totaling approximately \$92,000 had been incurred by the City through June 30, 2008.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Amounts required to complete various construction projects are not material to the financial statements.

As disclosed in Note 12, the City is a member of the Grand Haven-Spring Lake Sewer Authority and the Northwest Ottawa Water Treatment Plant. The City, along with the other participating communities, has pledged their full faith and credit for repayment of the outstanding debt of these entities. For all debt, the amount the City is required to contribute to these entities for repayment of debt is not a fixed amount, but is based on the volume of sewage treated and water purchased and is included in the rate charged by these entities.

**15. Excess of
Expenditures Over
Appropriations
in Budgetary
Funds**

During the year ended June 30, 2008, the City incurred expenditures in various funds which were in excess of amounts appropriated, as follows:

	Appropriation	Actual Expenditures
General Fund		
DPW - Community Promotion	\$ 20,885	\$ 21,232
DPW - ROW & Parking Lots	163,445	167,302
Non-voted General Debt Fund	303,035	303,037

All expenditures over appropriations as identified above have been paid by excess revenues or by reduced expenditures in other activities.

Required Supplemental Material



<i>Year ended June 30, 2008</i>	General Fund		
	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 7,208,295	\$ 7,653,795	\$ 7,723,720
Licenses and permits	522,200	514,200	521,286
Local grants	-	-	-
State sources	1,240,000	1,034,660	1,052,837
Charges for services	896,555	1,010,375	1,015,788
Fines and forfeitures	131,600	148,200	133,763
Reimbursements	-	-	-
Interest, penalties and rent	290,000	375,200	316,094
Miscellaneous revenue	67,960	127,810	118,763
Total Revenues	10,356,610	10,864,240	10,882,251
Expenditures			
Current operations			
General government	2,653,590	2,564,275	2,261,143
Public safety	4,064,525	4,137,260	3,768,655
Public works	1,468,880	1,496,960	1,391,768
Culture and recreation	906,400	1,025,000	956,672
Capital outlay	-	-	-
Debt service	-	-	-
Total Expenditures	9,093,395	9,223,495	8,378,238
Revenues Over (Under) Expenditures	1,263,215	1,640,745	2,504,013
Other Financing Sources (Uses)			
Proceeds from issuance of long-term debt	-	-	-
Premium from issuance of long-term debt	-	-	-
Transfers in	15,000	42,400	38,249
Transfers out	(983,930)	(2,672,150)	(2,686,683)
Total Other Financing Sources (Uses)	(968,930)	(2,629,750)	(2,648,434)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	294,285	(989,005)	(144,421)
Fund Balance, at beginning of year	3,480,506	3,480,506	3,480,506
Fund Balance, at end of year	\$ 3,774,791	\$ 2,491,501	\$ 3,336,085

City of Grand Haven, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Major Governmental Funds

Public Improvement			2008 UTGO Infrastructure Bond Fund		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
712,250	4,000	-	-	-	-
258,750	210,840	197,146	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	142,650	417,454	-	-	-
30,000	196,000	211,523	-	-	1,644
-	-	-	-	-	880
1,001,000	553,490	826,123	-	-	2,524
10,000	15,170	69,304	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,414,000	1,671,360	1,000,976	-	-	-
-	-	-	-	-	193,952
2,424,000	1,686,530	1,070,280	-	-	193,952
(1,423,000)	(1,133,040)	(244,157)	-	-	(191,428)
-	-	-	-	-	9,400,000
-	-	-	-	-	11,471
205,210	1,705,210	1,705,210	-	-	-
(350,000)	(610,000)	(1,113,037)	-	-	-
(144,790)	1,095,210	592,173	-	-	9,411,471
(1,567,790)	(37,830)	348,016	-	-	9,220,043
4,986,561	4,986,561	4,986,561	-	-	-
\$ 3,418,771	\$ 4,948,731	\$ 5,334,577	\$ -	\$ -	\$ 9,220,043

City of Grand Haven, Michigan

Required Supplementary Information for Pension Plans - GASB 50



Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Funding Excess (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	Funding Excess as a Percentage of Covered Payroll ((a - b)/c)
December 31:						
2005	\$ 59,414,881	\$ 54,460,342	\$ 4,954,539	109.10%	\$ 9,029,277	54.87%
2006	62,578,921	58,551,043	4,027,878	106.88%	9,474,734	42.51%
2007	66,136,443	62,249,672	3,886,771	106.24%	9,930,390	39.14%

	Special Revenue			Building Authority Bonds
	Major Street and Trunkline	Local Street	Housing	
<i>June 30, 2008</i>				
Assets				
Cash and investments	\$ 248,759	\$ 134,807	\$ 4,294	\$ 38,304
Due from other governments	113,975	33,619	-	-
Taxes and other receivables	-	220	2,885	-
Special assessments receivable	-	19,461	-	-
Total Assets	\$ 362,734	\$ 188,107	\$ 7,179	\$ 38,304
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 356,783	\$ 16,236	\$ 123	\$ -
Deferred revenues	-	19,681	-	-
Total Liabilities	356,783	35,917	123	-
Fund balances				
Reserved for debt service	-	-	-	38,304
Reserved for capital projects	-	-	-	-
Reserved for endowments	-	-	-	-
Unreserved				
Undesignated	5,951	152,190	7,056	-
Total Fund Balances	5,951	152,190	7,056	38,304
Total Liabilities and Fund Balances	\$ 362,734	\$ 188,107	\$ 7,179	\$ 38,304

City of Grand Haven, Michigan

Combining Balance Sheet - Non-Major Governmental Funds

Debt Service		Capital Projects				Permanent	
Special Assessment Bonds	Non-voted General Debt	Fire Truck	Building Authority	Land Acquisition	Cemetery Perpetual Care	Total All Funds	
\$ 240,424	\$ -	\$ 152,309	\$ -	\$ 100,975	\$ 1,534,668	\$ 2,454,540	
-	-	-	-	-	-	147,594	
-	-	-	-	-	1,595	4,700	
54,908	-	-	-	-	-	74,369	
\$ 295,332	\$ -	\$ 152,309	\$ -	\$ 100,975	\$ 1,536,263	\$ 2,681,203	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107	\$ 373,249	
54,908	-	-	-	-	-	74,589	
54,908	-	-	-	-	107	447,838	
240,424	-	-	-	-	-	278,728	
-	-	152,309	-	100,975	-	253,284	
-	-	-	-	-	1,536,156	1,536,156	
-	-	-	-	-	-	165,197	
240,424	-	152,309	-	100,975	1,536,156	2,233,365	
\$ 295,332	\$ -	\$ 152,309	\$ -	\$ 100,975	\$ 1,536,263	\$ 2,681,203	

<i>Year ended June 30, 2008</i>	Special Revenue			Building Authority Bonds
	Major Street and Trunkline	Local Street	Housing	
Revenues				
State sources	\$ 607,617	\$ 213,427	\$ 23,002	\$ -
Charges for services	-	-	-	-
Special assessments	-	8,876	-	-
Reimbursements	36,014	2,670	-	-
Interest income	22,001	8,485	-	1,407
Miscellaneous revenue	-	3,014	28,520	-
Total Revenues	665,632	236,472	51,522	1,407
Expenditures				
Public works	780,209	446,212	44,637	-
Capital outlay	1,012,817	202,520	-	-
Debt principal payments	-	-	-	240,000
Interest and fiscal charges	-	-	-	108,721
Total Expenditures	1,793,026	648,732	44,637	348,721
Revenues over (under) expenditures	(1,127,394)	(412,260)	6,885	(347,314)
Other Financing Sources (Uses)				
Transfers in	353,910	263,910	-	348,721
Transfers out	(100,000)	-	-	-
Total Other Financing Sources (Uses)	253,910	263,910	-	348,721
Revenues and other sources over (under) expenditures and other uses	(873,484)	(148,350)	6,885	1,407
Fund Balance, at beginning of year	879,435	300,540	171	36,897
Fund Balance, at end of year	\$ 5,951	\$ 152,190	\$ 7,056	\$ 38,304

City of Grand Haven, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds

Debt Service		Capital Projects			Permanent	Total All Funds
Special Assessment Bonds	Non-voted General Debt	Fire Truck	Building Authority	Land Acquisition	Cemetery Perpetual Care	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 844,046
-	-	-	-	-	15,675	15,675
8,478	-	-	-	-	-	17,354
-	-	-	-	-	-	38,684
11,892	-	10,130	-	2,765	76,499	133,179
-	-	-	-	-	-	31,534
20,370	-	10,130	-	2,765	92,174	1,080,472
-	-	-	-	-	-	1,271,058
-	-	272,074	-	-	-	1,487,411
5,000	277,224	-	-	-	-	522,224
3,903	25,813	-	-	-	-	138,437
8,903	303,037	272,074	-	-	-	3,419,130
11,467	(303,037)	(261,944)	-	2,765	92,174	(2,338,658)
-	303,037	50,000	348,721	-	-	1,668,299
-	-	-	(348,721)	(100,000)	(38,249)	(586,970)
-	303,037	50,000	-	(100,000)	(38,249)	1,081,329
11,467	-	(211,944)	-	(97,235)	53,925	(1,257,329)
228,957	-	364,253	-	198,210	1,482,231	3,490,694
\$ 240,424	\$ -	\$ 152,309	\$ -	\$ 100,975	\$ 1,536,156	\$ 2,233,365

<i>Year ended June 30, 2008</i>	Major Street and Trunkline		
	Budget	Actual	Variance
Revenues			
State sources	\$1,074,875	\$ 607,617	\$ (467,258)
Charges for services	-	-	-
Special assessments	-	-	-
Reimbursements	22,000	36,014	14,014
Interest income	2,000	22,001	20,001
Miscellaneous revenue	-	-	-
Total Revenues	1,098,875	665,632	(433,243)
Expenditures			
Public works	858,965	780,209	78,756
Capital outlay	954,365	1,012,817	(58,452)
Debt principal payments	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	1,813,330	1,793,026	20,304
Revenues over (under) expenditures	(714,455)	(1,127,394)	(412,939)
Other Financing Sources (Uses)			
Transfers in	353,910	353,910	-
Transfers out	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	253,910	253,910	-
Revenues and other sources over (under) expenditures and other uses	(460,545)	(873,484)	(412,939)
Fund Balance, at beginning of year	879,435	879,435	-
Fund Balance, at end of year	\$ 418,890	\$ 5,951	\$ (412,939)

City of Grand Haven, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non-Major Governmental Funds

Local Street			Housing		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 201,735	\$ 213,427	\$ 11,692	\$ 53,760	\$ 23,002	\$ (30,758)
-	-	-	-	-	-
2,100	8,876	6,776	-	-	-
2,670	2,670	-	-	-	-
11,600	8,485	(3,115)	-	-	-
3,000	3,014	14	26,100	28,520	2,420
221,105	236,472	15,367	79,860	51,522	(28,338)
478,660	446,212	32,448	60,000	44,637	15,363
296,825	202,520	94,305	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
775,485	648,732	126,753	60,000	44,637	15,363
(554,380)	(412,260)	142,120	19,860	6,885	(12,975)
263,910	263,910	-	-	-	-
-	-	-	(12,400)	-	12,400
263,910	263,910	-	(12,400)	-	12,400
(290,470)	(148,350)	142,120	7,460	6,885	(575)
300,540	300,540	-	171	171	-
\$ 10,070	\$ 152,190	\$ 142,120	\$ 7,631	\$ 7,056	\$ (575)

<i>Year ended June 30, 2008</i>	Building Authority Bonds		
	Budget	Actual	Variance
Revenues			
State sources	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	-	-	-
Reimbursements	-	-	-
Interest income	1,275	1,407	132
Miscellaneous revenue	-	-	-
Total Revenues	1,275	1,407	132
Expenditures			
Public works	-	-	-
Capital outlay	-	-	-
Debt principal payments	240,000	240,000	-
Interest and fiscal charges	109,050	108,721	329
Total Expenditures	349,050	348,721	329
Revenues over (under) expenditures	(347,775)	(347,314)	461
Other Financing Sources (Uses)			
Transfers in	349,050	348,721	(329)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	349,050	348,721	(329)
Revenues and other sources over (under) expenditures and other uses	1,275	1,407	132
Fund Balance, at beginning of year	36,897	36,897	-
Fund Balance, at end of year	\$ 38,172	\$ 38,304	\$ 132

City of Grand Haven, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non-Major Governmental Funds

Special Assessment Bonds			Non-voted General Debt		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	8,478	8,478	-	-	-
-	-	-	303,035	-	(303,035)
14,500	11,892	(2,608)	-	-	-
-	-	-	-	-	-
14,500	20,370	5,870	303,035	-	(303,035)
-	-	-	-	-	-
-	-	-	-	-	-
5,000	5,000	-	276,765	277,224	(459)
3,905	3,903	2	26,270	25,813	457
8,905	8,903	2	303,035	303,037	(2)
5,595	11,467	5,872	-	(303,037)	(303,037)
-	-	-	-	303,037	303,037
-	-	-	-	-	-
-	-	-	-	303,037	303,037
5,595	11,467	5,872	-	-	-
228,957	228,957	-	-	-	-
\$ 234,552	\$ 240,424	\$ 5,872	\$ -	\$ -	\$ -

<i>Year ended June 30, 2008</i>	Fire Truck		
	Budget	Actual	Variance
Revenues			
State sources	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	-	-	-
Reimbursements	-	-	-
Interest income	10,000	10,130	130
Miscellaneous revenue	-	-	-
Total Revenues	10,000	10,130	130
Expenditures			
Public works	-	-	-
Capital outlay	272,075	272,074	1
Debt principal payments	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	272,075	272,074	1
Revenues over (under) expenditures	(262,075)	(261,944)	131
Other Financing Sources (Uses)			
Transfers in	50,000	50,000	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	50,000	50,000	-
Revenues and other sources over (under) expenditures and other uses	(212,075)	(211,944)	131
Fund Balance, at beginning of year	364,253	364,253	-
Fund Balance, at end of year	\$ 152,178	\$ 152,309	\$ 131

City of Grand Haven, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non-Major Governmental Funds

Building Authority			Land Acquisition		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,000	2,765	(235)
-	-	-	-	-	-
-	-	-	3,000	2,765	(235)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,000	2,765	(235)
359,120	348,721	(10,399)	-	-	-
(348,900)	(348,721)	179	(101,825)	(100,000)	1,825
10,220	-	(10,220)	(101,825)	(100,000)	1,825
10,220	-	(10,220)	(98,825)	(97,235)	1,590
-	-	-	198,210	198,210	-
\$ 10,220	\$ -	\$ (10,220)	\$ 99,385	\$100,975	\$ 1,590

City of Grand Haven, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non-Major Governmental Funds

<i>Year ended June 30, 2008</i>	Cemetery Perpetual Care		
	Budget	Actual	Variance
Revenues			
State sources	\$ -	\$ -	\$ -
Charges for services	25,000	15,675	(9,325)
Special assessments	-	-	-
Reimbursements	-	-	-
Interest income	70,600	76,499	5,899
Miscellaneous revenue	-	-	-
Total Revenues	95,600	92,174	(3,426)
Expenditures			
Public works	-	-	-
Capital outlay	-	-	-
Debt principal payments	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	-	-	-
Revenues over (under) expenditures	95,600	92,174	(3,426)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(30,000)	(38,249)	(8,249)
Total Other Financing Sources (Uses)	(30,000)	(38,249)	(8,249)
Revenues and other sources over (under) expenditures and other uses	65,600	53,925	(11,675)
Fund Balance, at beginning of year	1,482,231	1,482,231	-
Fund Balance, at end of year	\$ 1,547,831	\$ 1,536,156	\$ (11,675)

<i>June 30, 2008</i>	Municipal Sewage Treatment	Municipal Water	Harbor Transit
Assets			
Current Assets			
Cash and investments	\$ 13,536	\$ 794,740	\$ 450
Accounts receivable	381,407	393,326	18,070
Prepaid items	60	120	734
Due from other funds	-	78,688	-
Due from other governments	-	-	381,870
Inventory	8,747	53,729	39,938
Total Current Assets	403,750	1,320,603	441,062
Special Assessments	60,305	-	-
Capital Assets, net of accumulated depreciation	4,602,082	6,948,878	709,480
Total Assets	5,066,137	8,269,481	1,150,542
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	10,000	11,495	-
Accounts payable	182,336	230,308	45,795
Accrued liabilities	13,490	27,589	87,895
Due to other governments	-	7,352	-
Due to other funds	78,688	-	296,605
Total Current Liabilities	284,514	276,744	430,295
Long-Term Debt – net of current portion	10,000	22,515	-
Total Liabilities	294,514	299,259	430,295
Net Assets			
Invested in capital assets, net of related debt	4,581,732	6,914,494	709,480
Unreserved	189,891	1,055,728	10,767
Total Net Assets	\$4,771,623	\$ 7,970,222	\$ 720,247

City of Grand Haven, Michigan

Non-Major Proprietary Funds

Combining Statement of Net Assets

Marina	Airport	Chinook Pier Rental	Total
\$ 60,605	\$ 91,846	\$ 87,568	\$ 1,048,745
47,441	19,037	41,259	900,540
-	-	-	914
-	-	-	78,688
406,119	-	-	787,989
-	-	-	102,414
514,165	110,883	128,827	2,919,290
-	-	-	60,305
1,841,081	3,073,951	977,403	18,152,875
2,355,246	3,184,834	1,106,230	21,132,470
-	42,250	94,930	158,675
67,551	4,649	60	530,699
2,088	3,248	33,690	168,000
-	36,724	-	44,076
44,873	-	-	420,166
114,512	86,871	128,680	1,321,616
-	151,150	691,250	874,915
114,512	238,021	819,930	2,196,531
1,841,081	2,877,353	158,262	17,082,402
399,653	69,460	128,038	1,853,537
\$ 2,240,734	\$ 2,946,813	\$ 286,300	\$ 18,935,939

<i>Year ended June 30, 2008</i>	Municipal Sewage Treatment	Municipal Water	Harbor Transit
Operating Revenues			
Charges for services	\$ 1,376,319	\$ 1,456,437	\$ 146,325
Miscellaneous operating revenues	56,228	1,895	-
Total Operating Revenues	1,432,547	1,458,332	146,325
Operating Expenses			
Operations and maintenance	1,059,073	822,452	1,249,061
General and administrative	161,766	344,414	238,057
Distribution	-	301,339	-
Depreciation	60,313	87,258	205,237
Total Operating Expenses	1,281,152	1,555,463	1,692,355
Operating income (loss)	151,395	(97,131)	(1,546,030)
Non-Operating Revenues (Expenses)			
Interest income	5,713	45,335	-
Interest expense	(1,850)	(1,712)	-
Operating subsidies			
Federal	-	-	316,496
State	-	-	548,758
Local	-	-	179,565
Other income (expense)	-	9,125	96
Total Non-Operating Revenues (Expenses)	3,863	52,748	1,044,915
Income (Loss) Before Transfers	155,258	(44,383)	(501,115)
Transfers in (out)	50,000	-	329,877
Change in Net Assets	205,258	(44,383)	(171,238)
Net Assets, at beginning of year	4,566,365	8,014,605	891,485
Net Assets, at end of year	\$ 4,771,623	\$ 7,970,222	\$ 720,247

City of Grand Haven, Michigan

Non-Major Proprietary Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Marina	Airport	Chinook Pier Rental	Total
\$ 285,768	\$ 89,957	\$ 101,962	\$ 3,456,768
-	-	47,843	105,966
285,768	89,957	149,805	3,562,734
169,860	60,772	76,118	3,437,336
-	16,983	92,347	853,567
-	-	-	301,339
52,294	174,421	35,866	615,389
222,154	252,176	204,331	5,207,631
63,614	(162,219)	(54,526)	(1,644,897)
8,682	3,386	788	63,904
-	(12,191)	(44,931)	(60,684)
-	-	-	316,496
387,537	-	-	936,295
-	-	-	179,565
72	-	97,094	106,387
396,291	(8,805)	52,951	1,541,963
459,905	(171,024)	(1,575)	(102,934)
500,000	(4,945)	100,000	974,932
959,905	(175,969)	98,425	871,998
1,280,829	3,122,782	187,875	18,063,941
\$ 2,240,734	\$ 2,946,813	\$ 286,300	\$ 18,935,939

<i>Year ended June 30, 2008</i>	Municipal Sewage Treatment	Municipal Water	Harbor Transit
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,343,316	\$ 1,455,775	\$ 172,771
Receipts from interfund services provided	78,688	-	147,155
Payments to suppliers	(1,065,191)	(1,112,318)	(428,036)
Payments to employees	(125,090)	(261,119)	(1,103,767)
Payments for interfund services used	-	(78,688)	-
Net Cash Provided by (Used for)			
Operating Activities	231,723	3,650	(1,211,877)
Cash Flows from Non-Capital Financing Activities			
Proceeds from operating grants and other	-	-	884,977
Transfers in (out)	50,000	-	329,877
Net Cash Provided by (Used for) Non-Capital Financing Activities	50,000	-	1,214,854
Cash Flows from Capital and Related Financing Activities			
Proceeds from capital grants and other	-	-	23,628
Principal payments on long-term debt	(10,000)	(11,731)	-
Interest payments on long-term debt	(2,025)	(1,841)	-
Transfers in from other funds	-	-	-
Purchase of capital assets	(472,339)	(513,523)	(26,605)
Net Cash Used for Capital and Related Financing Activities	(484,364)	(527,095)	(2,977)
Cash Flows from Investing Activities			
Interest received on investments	5,713	45,335	-
Net Increase (Decrease) in Cash and Investments	(196,928)	(478,110)	-
Cash and Investments – at beginning of year	210,464	1,272,850	450
Cash and Investments – at end of year	\$ 13,536	\$ 794,740	\$ 450

City of Grand Haven, Michigan

Non-Major Proprietary Funds

Combining Statement of Cash Flows

Marina	Airport	Chinook Pier Rental	Total
\$ 259,060	\$ 94,144	\$ 229,570	\$ 3,554,636
44,873	-	-	270,716
(44,415)	(79,563)	(171,596)	(2,901,119)
(81,031)	-	-	(1,571,007)
-	-	-	(78,688)
178,487	14,581	57,974	(725,462)
-	-	-	884,977
-	(4,945)	100,000	474,932
-	(4,945)	100,000	1,359,909
-	-	-	23,628
-	(36,500)	(89,930)	(148,161)
-	(10,882)	(48,701)	(63,449)
500,000	-	-	500,000
(879,159)	-	-	(1,891,626)
(379,159)	(47,382)	(138,631)	(1,579,608)
8,682	3,386	788	63,904
(191,990)	(34,360)	20,131	(881,257)
252,595	126,206	67,437	1,930,002
\$ 60,605	\$ 91,846	\$ 87,568	\$ 1,048,745

This Statement Covers More Than One Page.

<i>Year ended June 30, 2008</i>	Municipal Sewage Treatment	Municipal Water	Harbor Transit
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ 151,395	\$ (97,131)	\$(1,546,030)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operations			
Depreciation	60,313	87,258	205,237
Other income (expense)	-	9,125	96
Changes in assets and liabilities			
Accounts receivable	(89,231)	(12,282)	26,350
Due from other funds	-	(78,688)	-
Due from other governments	-	-	-
Prepaid items	(60)	(120)	(734)
Inventory	(894)	2,003	(7,064)
Accounts payable	24,601	92,650	5,390
Accrued liabilities	6,911	(6,517)	(42,277)
Due to other funds	-	-	147,155
Due to other governments	-	7,352	-
Deferred revenue	78,688	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 231,723	\$ 3,650	\$(1,211,877)

City of Grand Haven, Michigan

Non-Major Proprietary Funds

Combining Statement of Cash Flows

Marina	Airport	Chinook Pier Rental	Total
<hr/>			
\$ 63,614	\$ (162,219)	\$ (54,526)	\$ (1,644,897)
52,294	174,421	35,866	615,389
72	-	97,094	106,387
(8,198)	4,187	(17,329)	(96,503)
-	-	-	(78,688)
(18,582)	-	-	(18,582)
-	-	-	(914)
-	-	-	(5,955)
46,167	(1,838)	60	167,030
(1,753)	30	(3,191)	(46,797)
44,873	-	-	192,028
-	-	-	7,352
-	-	-	78,688
<hr/>			
\$ 178,487	\$ 14,581	\$ 57,974	\$ (725,462)
<hr/>			

City of Grand Haven, Michigan

Internal Service Funds

Combining Statement of Net Assets

<i>June 30, 2008</i>	Motor Pool	Insurance	Health Benefits	Total
Assets				
Current Assets				
Cash and investments	\$1,382,740	\$ 664,569	\$ 709,116	\$2,756,425
Accounts receivable	1,441	833	62,602	64,876
Prepaid items	90	143,386	55,322	198,798
Due from other governments	660	-	-	660
Inventory	11,954	-	-	11,954
Total Current Assets	1,396,885	808,788	827,040	3,032,713
Equipment , net of accumulated depreciation of \$1,894,895	1,524,243	-	-	1,524,243
Total Assets	2,921,128	808,788	827,040	4,556,956
Liabilities and Net Assets				
Liabilities				
Accounts payable	33,607	698	1,909	36,214
Accrued liabilities	13,158	-	96,344	109,502
Total Liabilities	46,765	698	98,253	145,716
Net Assets				
Invested in capital assets, net of related debt	1,524,243	-	-	1,524,243
Unreserved	1,350,120	808,090	728,787	2,886,997
Net Assets	\$2,874,363	\$ 808,090	\$ 728,787	\$4,411,240

City of Grand Haven, Michigan

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

<i>Year ended June 30, 2008</i>	Motor Pool	Insurance	Health Benefits	Total
Operating Revenues				
Charges for services	\$ 699,676	\$ 433,084	\$ 2,575,139	\$ 3,707,899
Operating Expenses				
Wages and payroll benefits	148,024	-	-	148,024
Operating supplies	319,601	-	-	319,601
Insurance	28,524	399,883	2,565,728	2,994,135
Depreciation	227,511	-	-	227,511
Professional services	16,599	-	155,830	172,429
Miscellaneous	2,281	-	-	2,281
Total Operating Expenses	742,540	399,883	2,721,558	3,863,981
Operating income (loss)	(42,864)	33,201	(146,419)	(156,082)
Non-Operating Revenues				
Interest income	40,090	27,651	24,808	92,549
Other income	7,195	-	32,884	40,079
Total Non-Operating Revenues	47,285	27,651	57,692	132,628
Change in Net Assets	4,421	60,852	(88,727)	(23,454)
Net Assets, at beginning of year	2,869,942	747,238	817,514	4,434,694
Net Assets, at end of year	\$2,874,363	\$ 808,090	\$ 728,787	\$4,411,240

City of Grand Haven, Michigan

Internal Service Funds

Combining Statement of Cash Flows

<i>Year ended June 30, 2008</i>	Motor Pool	Insurance	Health Benefits	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 707,409	\$ 433,384	\$ 2,693,049	\$ 3,833,842
Payments to suppliers	(377,421)	(405,036)	(424,880)	(1,207,337)
Payments to employees	(148,456)	-	-	(148,456)
Claims paid	-	-	(2,373,870)	(2,373,870)
Net Cash Provided by (Used for)				
Operating Activities	181,532	28,348	(105,701)	104,179
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(133,991)	-	-	(133,991)
Cash Flows from Investing Activities				
Interest income	40,090	27,651	24,808	92,549
Net Increase (Decrease) in Cash and Investments				
	87,631	55,999	(80,893)	62,737
Cash and Investments, at beginning of year				
	1,295,109	608,570	790,009	2,693,688
Cash and Investments, at end of year				
	\$1,382,740	\$ 664,569	\$ 709,116	\$ 2,756,425

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Internal Service Funds

Combining Statement of Cash Flows

<i>Year ended June 30, 2008</i>	Motor Pool	Insurance	Health Benefits	Total
Reconciliation of Operating Income				
(Loss) to Net Cash Provided by				
(Used for) Operating Activities				
Operating income (loss)	\$ (42,864)	\$ 33,201	\$ (146,419)	\$ (156,082)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Other income	7,195	-	32,884	40,079
Depreciation	227,511	-		227,511
Changes in assets and liabilities				
Accounts receivable	(602)	300	85,026	84,724
Prepaid items	(90)	(299)	(12,275)	(12,664)
Due from other governments	1,140	-	-	1,140
Inventory	(2,907)	-	-	(2,907)
Accounts payable	(7,419)	(2,085)	227	(9,277)
Accrued liabilities	-	-	(65,144)	(65,144)
Due to other governments	(432)	(2,769)	-	(3,201)
Net Cash Provided by (Used for)				
Operating Activities	\$ 181,532	\$ 28,348	\$ (105,701)	\$ 104,179

City of Grand Haven, Michigan

Agency Funds

Combining Balance Sheet

<i>June 30, 2008</i>	Payroll	Tax Collection	Trust and Agency	Total
Assets				
Cash and investments	\$ 128,933	\$ 32,840	\$ 208,212	\$ 369,985
Due from other governments	3,400	-	-	3,400
Accounts receivable	30,646	-	-	30,646
Total Assets	\$ 162,979	\$ 32,840	\$ 208,212	\$ 404,031
Liabilities				
Accounts payable	\$ 142,979	\$ 32,840	\$ -	\$ 175,819
Due to other funds	20,000	-	-	20,000
Trust deposits	-	-	208,212	208,212
Total Liabilities	\$ 162,979	\$ 32,840	\$ 208,212	\$ 404,031

City of Grand Haven, Michigan

Agency Funds

Combining Statement of Changes in Assets and Liabilities

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Trust and Agency				
Assets				
Cash and investments	\$ 176,861	\$ 36,460	\$ 5,109	\$ 208,212
Liabilities				
Accounts payable	\$ -	\$ 5,171	\$ 5,171	\$ -
Trust deposits	176,861	36,460	5,109	208,212
	\$ 176,861	\$ 41,631	\$ 10,280	\$ 208,212
Tax Collection				
Assets				
Cash and investments	\$ 72,271	\$28,835,438	\$28,874,869	\$ 32,840
Accounts receivable	-	19,506	19,506	-
	\$ 72,271	\$28,854,944	\$28,894,375	\$ 32,840
Liabilities				
Accounts payable	\$ 72,271	\$27,228,334	\$27,267,765	\$ 32,840
Due to other governments	-	52,493,139	52,493,139	-
	\$ 72,271	\$79,721,473	\$79,760,904	\$ 32,840

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Agency Funds

Combining Statement of Changes in Assets and Liabilities

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Payroll				
Assets				
Cash and investments	\$ 53,739	\$12,288,476	\$12,213,282	\$ 128,933
Due from other governments	13,242	47,898	57,740	3,400
Accounts receivable	28,819	40,719	38,892	30,646
Due from other funds	-	11,696,331	11,696,331	-
	\$ 95,800	\$24,073,424	\$24,006,245	\$ 162,979
Liabilities				
Accounts payable	\$ 95,800	\$14,624,726	\$14,577,547	\$ 142,979
Due to other funds	-	46,013	26,013	20,000
	\$ 95,800	\$14,670,739	\$14,603,560	\$ 162,979
Totals - all agency funds				
Assets				
Cash and investments	\$ 302,871	\$41,160,374	\$41,093,260	\$ 369,985
Due from other governments	13,242	47,898	57,740	3,400
Accounts receivable	28,819	60,225	58,398	30,646
Due from other funds	-	11,696,331	11,696,331	-
	\$ 344,932	\$52,964,828	\$52,905,729	\$ 404,031
Liabilities				
Accounts payable	\$ 168,071	\$41,858,231	\$41,850,483	\$ 175,819
Due to other funds	-	46,013	26,013	20,000
Trust deposits	176,861	36,460	5,109	208,212
Due to other governments	-	52,493,139	52,493,139	-
	\$ 344,932	\$94,433,843	\$94,374,744	\$ 404,031

City of Grand Haven, Michigan

Management Letter Year ended June 30, 2008





3145 HENRY STREET, STE. 200
MUSKEGON, MI 49441-4052
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To the Honorable Mayor and City Council
City of Grand Haven, Michigan

During the course of our audit of the financial statements of the City of Grand Haven, Michigan as of June 30, 2008 and for the year then ended, we observed the City's significant accounting policies and procedures and certain administrative, and financial practices.

As a result of our observations, we have prepared for management's review and evaluation, the enclosed memorandum containing matters regarding internal control, financial and administrative practices of the City of Grand Haven, Michigan.

Matters which related to internal accounting control were not of a magnitude that would effect the presentation of the financial statements.

We appreciate the outstanding cooperation from management and the staff of the City of Grand Haven, Michigan that our personnel received during the audit.

Pridnia Lapres, PLLC

October 27, 2008

City of Grand Haven, Michigan

New Pronouncements

There are several new pronouncements that have been issued by the Governmental Accounting Standards Board (GASB) that will affect future financial statements issued by the City. A brief summary of these new pronouncements is presented below:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* addresses how the City should account for and report costs and obligations related to postemployment healthcare and other non-pension benefits. Collectively these benefits are referred to as other postemployment benefits (OPEB). It will require the City to account for OPEB essentially the same as is done for pensions. This will require an actuarial valuation for the applicable OPEB plans. If a trust is established it will be reported as a pension trust fund. If the annual required contribution is not made a liability will be reported for the unpaid portion. This pronouncement will be effective for the City for the year ending June 30, 2009.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* discusses how to identify and report pollution remediation obligations. Examples include water pollution, brownfield remediation and asbestos removal but not landfill closure costs. The pronouncement identifies five obligating events which could trigger recording a liability. The liability would include pre-cleanup, cleanup activities, oversight and enforcement activities. A liability is required to be reported once it is possible to reasonably estimate the liability, regardless of whether it is probable that it will be paid. The pronouncement will be effective for the year ending June 30, 2009.

GASB Statement No. 51, *Accounting and Reporting for Intangible Assets* requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Goodwill is specifically excluded. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Examples of assets that may be considered intangible assets include easements, water rights, timber rights, patents, trademarks, and computer software. There are special rules for internally generated software. This pronouncement will be effective for the year ending June 30, 2010.

City of Grand Haven, Michigan

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* - Requires land and real estate held by endowments to be reported at fair value with changes in fair value reported as investment income. This pronouncement will be effective for the year ending June 30, 2009. Unless an endowment is established, this will have no effect on the financial reporting of the City.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* requires that derivatives be recognized and measured at fair value with changes recognized as investment income. Hedges must be evaluated for effectiveness. Examples of derivatives are interest rate locks or swaps. The approach is similar to private sector accounting and reporting. This pronouncement will be effective for the year ending June 30, 2010.

GASB Invitation to Comment, *Fund Balance Reporting and Governmental Fund Type Definitions* attempts to clarify the availability of resources in funds other than the General Fund and define what is meant by “legally restricted”. The pronouncement would clarify the fund balance classifications and eliminate the “reserved fund balance” category. The new categories would be Spendable and Nonspendable, with the spendable being further broken down into four sub-categories: restricted, limited, assigned and unassigned.

To the Honorable Mayor and City Council
City of Grand Haven Michigan

October 27, 2008

In planning and performing our audit of the financial statements of the City of Grand Haven, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a *significant deficiency*.

Governmental fund capital assets and related depreciation are not being tracked on an individual asset basis. As a result, there is the potential for items that are no longer being used by the City to remain as capital assets and the potential for inaccurate depreciation estimates to be recorded.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting). During the audit of the City, several adjustments, material in the aggregate to the financial statements of the City, were identified by the auditors, who cannot by definition be considered a part of the City's internal controls.

This communication is intended solely for the information and use of the City Council of the City of Grand Haven, Michigan, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Prudnia Lathes, LLC

Members of the Audit Committee
City of Grand Haven, Michigan
519 Washington Street
Grand Haven, Michigan 49417

October 27, 2008

Dear Mayor Bergman and Members of the Audit Committee:

Professional standards require us to advise you of the following matters relating to our recently completed audit of the City of Grand Haven, Michigan (the "City") as of and for the year ended June 30, 2008. The matters discussed herein are those that we have noted as of October 27, 2008 and we have not updated our procedures regarding these matters since that date to the current date.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 19, 2008, our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. An audit in accordance with generally accepted auditing standards does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors or fraud, if they exist, have not been detected. Such standards also require that we obtain a sufficient understanding of the City's internal control to plan the audit. However, such understanding is required for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Overview of Planned Scope and Timing of the Audit

A discussion was held with the Audit Committee on June 2, 2008 regarding the planned scope and timing of the audit, the intention of which was to assist those charged with governance in understanding better the consequences of our audit work on your oversight responsibilities along with assisting us in understanding better the City and its environment. The focus of this discussion included how the risks of material misstatement, whether due to error or fraud, would be addressed and on factors, rather than specific thresholds or amounts, that would impact materiality used in our planning and execution of the audit.

Significant Findings from the Audit

Management Judgments and Accounting Estimates

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We have made tests of management's estimates and deemed them to be appropriate.

There were no material contingencies, as defined in FASB Statement No. 5, for which we had questions or concerns about the reasonableness of the accounting or the adequacy of the financial statement disclosure.

Misstatements

Professional standards require the auditor to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Additionally, we are required to communicate with those charged with governance uncorrected misstatements and the effect that they may have on the opinion in the auditor's report, and request their correction.

During our audit, material corrected misstatements were brought to the attention of management by us and are attached.

Discussion about the Quality of Significant Accounting Practices

In accordance with applicable auditing standards, a discussion was held with the Audit Committee on June 2, 2008 regarding the quality of the City's significant accounting practices, which included the City's significant accounting practices, estimates, and financial statement disclosures.

Adoption of a Change in Accounting Principle

There were no situations involving the adoption of or a change in accounting principles where the application of alternative generally accepted accounting principles, including alternative methods of applying an accounting principle, would have a material effect on the City's financial statements.

Disagreements with Management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the City's financial statements or the audit report. No such disagreements arose during the course of our audit.

Consultation with Other Accountants

There may be circumstances where the City considers consulting with other accountants about accounting and auditing matters. We are not aware of any consultations about accounting or auditing matters between management and other accountants. We are also not aware of opinions obtained by management from other accountants on the application of generally accepted accounting principles.

Significant Issues Discussed with Management Prior to Our Retention

Prior to our being retained as auditor for the current fiscal year, there were no significant accounting or other issues of concern discussed with management.

Material Alternative Accounting Treatments Discussed with Management

During the past year, there were no discussions with management concerning material alternative accounting treatments.

Significant Difficulties Encountered in Performing the Audit

There were no significant difficulties encountered during the course of the audit. All records and information requested by Pridnia LaPres, PLLC were freely available for inspection. Management and other personnel provided full cooperation.

Representations Requested from Management

Refer to the management representation letter that we have provided to those charged with governance.

Other Issues Arising from the Audit that We Consider Significant and Relevant to Those Charged with Governance

There were no other issues arising from the audit that we consider significant and relevant to those charged with governance.

Other Material Written Communications with Management

We have provided to those charged with governance copies of all material written communications that we prepared in connection with our annual audit.

Internal Control Matters

We have communicated, in writing, to management and to those charged with governance, all significant deficiencies and material weaknesses in connection with our audit of the financial statements that we are aware of.

Independence

We are not aware of any circumstances or relationships that would impair our independence.

Should you desire further information concerning these matters, we will be happy to meet with you at your convenience.

This letter is solely for the internal use of those charged with governance and management of the City of Grand Haven, Michigan and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

A handwritten signature in black ink that reads "Pridnia Latnes, LLC". The signature is written in a cursive, flowing style.